

Frankfurt

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FINANCIAL TIMES

Olivetti PC

Struggling to regain credibility

Page 18



France's finances

'The pass is narrow, but...there is a pass'

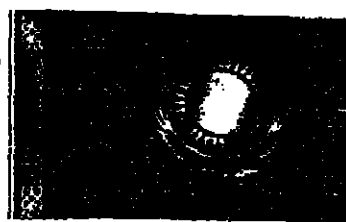
The FT Interview, Page 13



E-mail

Reliable and secure system needed soon

Technology, Page 10



Kazakhstan

Guarded optimism over oil revenues

Survey, Separate section

New challenge for Guinness merger with GrandMet

LVMH chairman Bernard Arnault stepped up his drive to make Guinness and GrandMet recent their £24bn (\$40.08bn) merger by acquiring enough shares in GrandMet to call an extraordinary meeting of shareholders. Mr Arnault has suggested a three-way merger of the wines and spirits businesses of Guinness and GrandMet with the Moët Hennessy subsidiary of LVMH. Page 15

Malaysian PM attacks George Soros

Malaysian prime minister Mahatir Mohamad (left), back in the country after two months abroad, condemned a "certain powerful American financier" for politically motivated speculative attacks on south-east Asian currencies. His statement left little doubt that he was referring to George Soros. Malaysia's central bank paid heavily in its battle with speculators. It said its foreign exchange reserves fell by 12.5 per cent to \$81.9bn (\$33.8bn) from \$94.7bn in the first half of July. Page 14 and Lex

Gazprom tightens screw on Ukraine: Russian gas monopoly Gazprom cut supplies to Ukraine by 16 per cent in an attempt to force payment of overdue bills. The company has been in dire straits since being forced to pay a tax debt of \$8bn. Page 3

Andersen puts Briton in top post: International accountancy and professional services firm Arthur Andersen is to appoint Jim Wadia, 49, head of its UK practice, as its first non-American worldwide managing partner. Page 15

Russia may open markets: Russia is to put forward plans to open its markets to foreign competition, a big step forward in its bid to join the World Trade Organisation next year. Page 4

Japan set to snub US on Cambodia: Japan said it was likely to ignore Washington's headline approach to the political turmoil in Cambodia and recognise the successor to ousted co-premier Prince Norodom Ranariddh. Page 7

Kia refused full funding: South Korean banks refused to meet the full funding requested by the Kia group, the country's third largest carmaker, after the company came close to bankruptcy. Page 15

Tokyo plans new corruption penalties: Japan plans to introduce new penalties for corporate corruption after a recent spate of scandals at companies including Nomura, Japan's largest securities company. Page 7

Roth close to top Asia post: Stanley Roth, a former deputy assistant secretary of defence, looks likely to get the US State Department's top job in Asia after he was well received by the Senate Foreign Relations Committee in the hearing on his nomination. Page 6

China's growth at 9.5%: China reported economic growth of 9.5 per cent in the first half of this year after an exports surge drove the gross domestic product well ahead of the government's target. Page 7

Flood village evacuated: A flood-threatened village in the Oder valley in Germany was evacuated while in Poland, troops and volunteers struggled to repair dykes. Floods have killed at least 80 people in Poland and 48 in the Czech Republic. Page 2; Observer, Page 13

Hong Kong's legislature challenged: A court hearing in Hong Kong challenged the legitimacy of Hong Kong's provisional legislature. The Beijing-backed body replaced a democratically elected legislature when China resumed sovereignty on July 1. Page 7

New PM for Papua New Guinea: Port Moresby governor Bill Skate was elected prime minister of Papua New Guinea, defeating former premier Sir Michael Somare. Page 7

Venezuela hits phone operators: Venezuela's two cellular telephone operators were banned from taking on customers until their service was improved. Page 6

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STOCK MARKET INDICES

New York Stock Exchange (27.87)
Dow Jones Ind. Av. 7934.59 (+27.87)
NASDAQ Composite 1544.31 (+8.08)
Europe and Far East
CAC 40 2521.13 (+47.01)
DAX 2281.62 (+22.02)
FTSE 100 4646.7 (+41.3)
Nikkei 20,157.02 (+23.3)

US LUNCHTIME RATES

Federal Funds 5.5%
3-mo Treas. Bills 5.225%
Long Term 101.12
Yield 5.512%

OTHER RATES

UK 3-mo Treasury 7% (same)
UK 10 yr Govt 10.1% (10.1%)
France 10 yr Govt 10.1% (10.1%)
Germany 10 yr Govt 10.1% (10.1%)
Japan 10 yr Govt 10.1% (10.1%)

NORTH SEA OIL (August)

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 Brent 2030 18.44 (18.14)

US company offers to drop exclusivity clauses in supply contracts

Boeing, Brussels near to deal

By Emma Tucker in Brussels, Michael Skapinker in London, and Bruce Clark in Washington

Hopes for a settlement of the dispute between the European Commission and Boeing rose sharply yesterday after the US company offered to drop the exclusivity clauses in supply deals it has signed with three US airlines.

Boeing's last-minute concession could pave the way for the European Commission to approve today the planned merger between Boeing and McDonnell Douglas and avert a transatlantic trade war.

But the controversial deal still faces opposition from some inside the Brussels executive which will be asked by Mr Karel Van Miert, the competition commissioner, to endorse the deal today.

There were signs the two French commissioners, under pressure from the French government and Airbus, will oppose the Boeing offer.

The climate of negotiations was transformed yesterday when Boeing sent a fax to Mr Van Miert.

It came as political leaders on both sides of the Atlantic sought frantically to prevent the Commission from outlaw-

ing the merged company in Europe - a move which would have triggered quick retaliation from the US.

President Bill Clinton said Boeing had offered a "good faith" resolution to the deadlock. "Our main concern is that only the anti-trust considerations play a role in the position, and we do everything we can to avoid a more political decision which would lead to an unfortunate trade conflict between the US and Europe."

Mr Klaus Kinkel, Germany's foreign minister, said he had discussed the issue with Ms Madeleine Albright, the US secretary of state, by telephone

on Monday. "We cannot in any case let a trade war happen just because the concerned parties have little notion of reality," he said.

Mr Van Miert took the opportunity of a meeting of foreign ministers in Brussels to outline the content of the Boeing offer to the 15 EU governments.

Mr Robin Cook, UK foreign secretary, said after the meeting that a deal was a "very real possibility".

The offer by Boeing to scrap the exclusivity clauses of 20-year supply deals signed with American, Continental and Delta airlines, met the last of

three critical competition concerns set out by Mr Van Miert during his five-month investigation of the \$14bn tie-up.

He was worried that the contracts closed off too much of the market for too long to rival aircraft manufacturer Airbus Industrie, the European consortium. He had rejected Boeing's earlier offer to cut the length of the deals to 13 years.

Boeing's refusal to improve its concessions prompted a preliminary decision from Mr

Continued on Page 14
Bluff and bluster, Page 4
Editorial Comment, Page 13
Lex, Page 14

EU row over paying for enlargement

By Lionel Barber in Brussels

European Union foreign ministers disagreed openly with each other yesterday over how to pay for the EU's enlargement into central and eastern Europe and how many countries to admit in the next wave.

Mr Robin Cook, UK foreign secretary, warned his 14 fellow foreign ministers that enlargement could not be done on the cheap.

He said that "serious" reforms of the Common Agricultural Policy and regional aid budget would be needed, assuming that EU governments followed the European Commission's plans for no real increase in EU spending between 2000 and 2006.

But Mr Abel Matutes, Spanish foreign minister, said enlargement could proceed only if EU governments respected the rights and obligations of the present 15 members which include the CAP.

Mr Theodoros Pangalos, Greek foreign minister, said that, with the exception of Cyprus, the applicants had "very little experience of democracy, and even less experience of a market economy".

Last week, the European Commission unveiled a 1,000-page blueprint on enlargement which proposed maintaining the present ceiling on EU spending at 1.37 per cent of EU gross domestic product.

Most EU governments pay

lip-service to this figure. But divisions over the costs of enlargement surfaced at the Brussels meeting, notably between Germany, the biggest net contributor, and Spain, the champion of the net recipients.

Mr Klaus Kinkel, German foreign minister, served notice that the Bonn government would demand a cut in Germany's payments to the next EU budget. "The future burden-sharing (in the EU) must be fairer," he said.

The German finance ministry has worked out a plan in which member states' net contributions would be capped at certain percentages of GDP, which would reflect different levels of national wealth and the cost of German unification.

Mr Cook, keen to avoid a squabble over money, insisted that EU expansion eastwards would boost trade and increase security and political stability. "It is not simply an act of altruism, it serves very much our own interests."

Last week, the Commission proposed opening accession negotiations to the Czech Republic, Hungary, Poland, Estonia, Slovenia and Cyprus. Those deemed not ready were Bulgaria, Latvia, Lithuania, Romania, and Slovakia.

Most countries, notably France, Germany and the UK, backed the proposal. But others, such as Denmark and Italy, thought negotiations should be opened with all the applicant countries.

New Middle East peace hopes



Palestinian leader Yasser Arafat (left) and Israeli foreign minister David Levy, at their meeting yesterday in Brussels. They said they had agreed to relaunch peace talks. Report, Page 14; Editorial Comment, Page 13; Photos: Reuters

US Federal Reserve chief warns over interest rates

By Gerard Baker in Washington

Mr Alan Greenspan, chairman of the US Federal Reserve, sounded another strong warning yesterday that the current benign combination of robust growth and low inflation in the US economy was likely to prove temporary. He said the Fed stood ready to raise interest rates at the first sign of accelerating prices.

Presenting his semi-annual Humphrey-Hawkins report to the US Congress on the state of the economy, Mr Greenspan said recent performance had been "exceptional". The current expansion was the third longest since 1945; yet, in contrast to the typical business cycle, measured inflation was now lower than when the expansion began.

But the Fed's policymakers had been "puzzled" by the subdued nature of inflation in spite of an unemployment rate currently near a 25-year low.



Greenspan: ready to act

he said. "With considerable momentum behind the expansion and labour market utilisation rates unusually high, the Federal Reserve must be alert to the possibility that additional action might be called for to forestall excessive credit creation."

Financial markets reacted positively to Mr Greenspan's prepared remarks, relieved that they did not contain any explicit reference to concerns

about stock prices. Shortly after he began speaking, the Dow Jones Industrial Average jumped 85 points to 8054.

His presentation included the Fed's latest economic forecasts for this year and next. It forecast overall growth this year to be 3.3-3.5 per cent, up from last year's 2.4 per cent. But the rate of consumer price inflation is now expected to be slower than expected. The consumer price index was forecast to rise 2.25-2.5 per cent this year, compared with a projection of 2.75-3 per cent.

In March the Fed raised short-term interest rates by 0.25 points, the first rise for two years, as output surged in the first quarter at an annual rate of 5.9 per cent. The growth rate slowed to about 2.5 per cent in the second quarter, reducing inflationary pressures, but Mr Greenspan said this could be reversed in the current quarter.

Lex, Page 14

IVO GROUP

Imatran Voima Oy

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Revolving Credit Facility

Arrangers
Chase Investment Bank Limited

Merita Bank Ltd

Banks
ABN AMRO Bank N.V.
Bayerische Landesbank Girozentrale
Citibank, N.A.
Credit Suisse First Boston
Skandinaviska Enskilda Banken
Merita Bank Ltd
Nordbanken
The Sakur Bank Ltd
Svebank Sparbanken Sverige AB
WestLB Group

The Bank of Tokyo-Mitsubishi Ltd
The Chase Manhattan Bank
Credit Agricole Indosuez (Paris) Branch
Deutsche Bank Luxembourg S.A.
Finnish Export Credit Ltd
Midland Bank plc
Postbank Ltd
Handelsbanken
Union Bank of Switzerland

Agents
Chase Manhattan International Limited

CHASE

Merita

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NEWS: EUROPE

First evacuation in Germany ordered as floods wreak havoc across Europe



Helmut Kohl (left) crosses a flooded street in Frankfurt an der Oder while a soldier (right) works to protect the village of Ratzdorf against the rising waters of the River Oder AP and Reuters

Fight against time to put up defences

By Peter Norman in Bonn

German authorities yesterday ordered the first evacuation of a flood-threatened village in the Oder valley, while on Poland's side of the border troops and volunteers fought against time to repair dykes and prevent further damage to the city of Wrocław.

In the Czech Republic, where the Morava river has burst its banks

and caused havoc in more than 500 towns and villages, flood alerts remained in force but meteorologists said better weather was in store and water levels were falling. The floods in central Europe, one of the continent's worst natural disasters of this century, have killed at least 60 people in Poland and 48 in the Czech Republic since the summer downpours started in early July.

The 130 inhabitants of Aurith, a German village lying a few kilometres north of the confluence of the Oder and Neisse rivers, were helped to safer ground as rising waters threatened to breach the embankments protecting low land next to the river. At the nearby border city of Frankfurt an der Oder, Chancellor Helmut Kohl talked to volunteers and army personnel who have been working to

strengthen flood defences. He was told that the river was twice its normal width and only a few centimetres below its all-time high, recorded in 1930. At Ratzdorf, where the Oder and Neisse meet, officials prepared for a record flood after more rains in south-eastern Germany and Poland. Further north, farmers began moving livestock from the Oderbruch region to higher ground.

About 3,500 Bundeswehr soldiers have been drafted into flood-threatened areas. According to one estimate, about 1.5m sandbags have been used to strengthen the banks on the German side of the Oder and Neisse rivers, which mark the German-Polish border. However, some dykes are about 400 years old and may be vulnerable. "No-one can say for sure what will happen," said Mr Kohl.

Poland offered loans to ease strain

By Christopher Bobinski in Warsaw and Anatol Lieven in London

Poland has been offered emergency reconstruction loans worth \$300m each by the World Bank and the European Investment bank to cope with this month's floods.

Experts say the disaster looks set to inflict 3.4bn zlotys (\$1bn) in damage to the economy.

In the Czech Republic, where floods have affected one-third of the country, the ministry of trade and industry estimated on Monday that the total cost to industry and the retail sector would be as much as Kč25bn (\$729m).

Another 10,000 people were evacuated yesterday from the area around the River Elbe, and a state of emergency remained in force in the country's third biggest city, Ostrava.

Czech infrastructure and communications have suffered at least Kč5.5bn in damage. Fifteen bridges and 946km of railway track have been destroyed.

Professor Jan Svejnar, of the Cerge-EI economic insti-

The total cost of flood damage in the Czech Republic and Poland was yesterday put at more than DM1.5bn (\$830m) by Munich Re, the world's biggest reinsurer, writes Christopher Adams. But industry experts say many homeowners may not be insured, since cover for flood damage is not included automatically in policies sold in these countries.

Munich Re said it expected to incur claims of between DM60m and DM30m - not an exceptional sum for a company which earned premium income of DM32bn last year.

While the floods had affected areas of eastern Germany, dykes designed to protect the countryside and towns against the

rising waters appeared to be holding out. As in the Czech Republic and Poland, protection against flood damage is not normally included in a policy unless requested. Swiss Re, the Zurich-based reinsurer, was unable to quantify the claims it faced, but did not expect major losses.

Mr Włodzimierz Cimoszewicz, Poland's prime minister, yesterday apologised to flood victims for saying that the government would not compensate them for damage and that they should have taken out insurance.

Insured losses in the Czech Republic were estimated by Munich Re at DM1.3bn and more than DM300m in Poland.

of August.

Parliament has given its authorisation for Kč5bn to be drawn from the funds of the National Property Fund.

Another Kč5bn are to be raised by an issue of five-year domestic bonds, to yield 12.5 per cent in the first year, and thereafter 2.5 points above the inflation rate.

The Czech finance ministry has said that the additional spending required will make it impossible to achieve the previous goal of balancing the budget this year. Officials expect the deficit to be at least Kč10bn.

Mr Marek Belka, Poland's finance minister, said yesterday that talks on the World Bank and EU loans were continuing, but that the foreign currency borrowing budget limit meant that Poland could draw on no more than \$350m this year.

If agreement were reached on taking the loans, he said, they would also be used to finance reconstruction next year.

An estimated 45,000 Polish homes have suffered severe damage, and water covered 550,000 hectares at its peak. The flooding is expected to cut Poland's annual 24m

tonne grain harvest by 600,000 tonnes.

As the flood wave on the Oder river approached the Baltic port of Szczecin yesterday, 230,000 hectares of Polish land remained under water. About 55,000 of the 143,300 people evacuated at the height of the flooding have yet to return home. Out of 1,172 towns and villages which were originally flooded, 326 remain swamped.

The Polish government's preliminary reconstruction plan, adopted yesterday, envisaged spending of around 1bn zlotys this year on immediate infrastructural repairs, as it expects to maintain its planned 2.8 per cent of gross domestic budget deficit.

Next year's budget should see 1.9bn zlotys spent on rebuilding roads, bridges and damaged buildings. The funds are to be switched from existing projects.

However, Mr Belka maintained that next year's planned budget deficit of 1.9 per cent of GDP, estimated before the floods hit Poland at the beginning of July, would be maintained. Observer, Page 13

Blame put on global warming

By Vanessa Houlder

The heavy rainfall in Poland and the Czech Republic is consistent with the likely impact of global warming, according to the UK Meteorological Office.

"We would expect to see some sort of increase in rainfall in that area as a result of global warming," said Mr Geoff Jenkins, a meteorologist at the Hadley Centre for climate modelling at the UK's Meteorological Office at Bracknell, Berkshire.

The Czech and Polish floods are the result of two unusually heavy periods of rain this month. In the first bout, which started on July 4, more rain fell in five days than some parts of western Europe would expect in a year.

The heavy rainfall resulted from a virtually stationary area of low pressure, which produced nearly continuous rain. In addition, the area suffered heavy downpours from thunderstorms caused by the heat of the ground pushing air upwards.

EUROPEAN NEWS DIGEST

EU drafts new workers' rights

The European Commission will today propose new laws guaranteeing part-time workers across the European Union equal rights with their full-time colleagues.

The 20 commissioners are expected to back a draft directive which would enshrine in law an agreement reached last month after a year of talks between trade unions and public and private employers' groups under the EU's so-called social dialogue.

The new law would be based on the Maastricht Treaty's social chapter - only the fourth piece of legislation introduced under the controversial chapter - and would apply to the UK, following the Labour government's decision to end Britain's opt-out.

The draft law says workers should be able to choose freely between full-time and part-time work, without any loss of rights and benefits, such as pensions and dismissal rights if they choose the latter. It would allow EU member states to introduce penalties against companies which did not respect the law.

The legislation is likely to go before EU social affairs ministers in October. But, since it is based on an agreement already reached between the social partners, the Commission says it will withdraw the proposal if ministers try to amend it.

Neil Buckley, Brussels

RUSSIAN SCANDAL

Bank shake-up demanded

Russia's central bank has demanded the replacement of several top directors at Unikombank and restricted its operations in the government securities market after it became implicated in a growing financial scandal.

Last week, Mr Sergei Dubinin, the central bank governor, accused Unikombank of illegally diverting state funds and ordered further investigations into its activities. Unikombank has denied any wrongdoing and says it has yet to take any decisions about personnel changes.

The scandal has embroiled some of the country's most prominent business leaders. The central bank investigation appears to be the most serious attempt yet to uproot banking malpractices. Russian police confirmed yesterday that a shot had been fired Mr Dubinin's apartment although no-one was injured. It was the second such attack in 18 months.

John Thornhill, Moscow

CHERNOBYL PLANT

Last reactor shut for repair

The last operational reactor at the Chernobyl nuclear plant has shut down and may stay idle for months, officials said yesterday. Reactor 3 closed on Monday for annual repairs and is supposed to resume production in 70 days, but plant officials said they needed much more time because they only had a quarter of the necessary spare parts and equipment - mostly Russian-made.

Chernobyl's fourth reactor exploded in April 1986 spreading radiation across Europe in the world's worst nuclear accident.

Western countries promised \$3bn in aid in return for full closure of Chernobyl but actual funding has been slow in coming. Ukraine has retaliated by threatening to keep operating the plant, but the shutdown of Reactor 3 leaves it without much bargaining power.

Number 3 has been the only reactor still working since November, when the first reactor was taken off-line. The second reactor has been shut since a fire in 1992, officials say they may switch it back on because they need the power.

Sander Theones, London

FOOTBALL TRANSFER

Fifa clears Ronaldo move

Fifa, football's world governing body, yesterday authorised the transfer of the Brazilian star Ronaldo, the world's most expensive player, from Barcelona of Spain to Inter Milan of Italy.

However, it ordered the two clubs to reach an agreement on the transfer fee later has to pay Barcelona. After spending \$27m last month buying out Ronaldo's eight-year contract with the Spanish club, Inter had argued that it did not have to pay an additional transfer fee for a player who was a free agent.

But Fifa decreed that Inter should compensate Barcelona further for the loss of its biggest star. The Spanish club is believed to have asked for another \$13m from Inter, which has already agreed to pay Ronaldo a \$14m signing fee and a salary of \$3m a year.

The European Commission has warned Fifa that any attempt to block the transfer would break European Union competition laws.

Patrick Harverson, London

ROME WAR CRIMES TRIAL

Priebke found guilty

Former Nazi SS Captain Erich Priebke was convicted by a Rome military tribunal yesterday of taking part in the wartime massacre of 335 civilians. He was sentenced to 15 years in prison, but this was reduced to five years under a long-standing amnesty.

Priebke's co-defendant, former SS Major Karl Haas, was also found guilty. He was given a suspended sentence of 10 years and eight months and allowed to go free. The prosecution had sought a life term for the 83-year-old Priebke and 24 years for Haas.

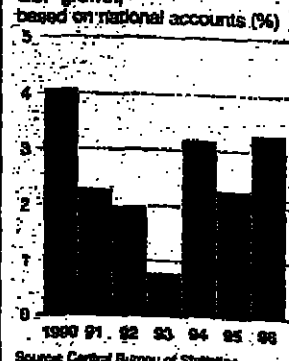
Last August another military tribunal convicted Priebke of taking part in the massacre, but cleared him of the aggravating factors necessary to override Italy's 30-year statute of limitations on murder. A new trial was then ordered on the grounds that the first panel of judges was biased in his favour.

AP, Rome

ECONOMIC WATCH

Dutch GDP rises by 3.3%

Netherlands
GDP growth, based on national accounts (%)



Source: Central Bureau of Statistics

Dutch gross domestic product rose by 3.3 per cent last year, almost twice the European Union average and the biggest increase in the Netherlands since 1990, according to final government statistics published yesterday.

Consumer spending grew by 3 per cent, and business investment by 6.5 per cent. A rise in exports of 4.5 per cent also helped boost GDP. The economy was "benefiting from strong domestic consumer demand as well as growing European exports", said Mr Marc Pauwels, economist at MeeusPierson, who predicted similar growth this year. The GDP figure was revised upwards from an earlier estimate of 2.9 per cent. The national statistics agency added that GDP would have been about one per cent higher if it had taken into account illegal income from drugs, prostitution and gambling. This was estimated to have reached about F1.5bn (\$2.2bn) last year.

Barbara Smit, Amsterdam

Eastern Ukraine turns its back on Russia

Just a couple of years ago, it was feared that Europe's next trouble spot would be eastern Ukraine. The region's Russian-speaking majority would seek to rejoin Russia, some in the west predicted, potentially provoking the continent's bloodiest conflict since the second world war.

Yet today, nearly six years after Ukraine declared independence, all seems quiet on the eastern front.

There is no powerful, pro-Russian separatist movement and, far from being excluded from mainstream politics, eastern Ukrainian leaders run the show in Kiev.

Just 10 years ago, to speak a few words of Ukrainian in

the east was a mark of "bourgeois nationalism" that earned instant hostility. Now, although Russian is still heard most in the streets of Ukraine's eastern cities, Ukrainian is the language of street signs, official documents and university admission exams.

One reason for this transformation is that the eastern Ukrainian political and business establishment has been thoroughly converted to the Ukrainian cause.

Even in Luhansk, a coal-mining and industrial region on the Russian border, elected officials are in favour of staying in Ukraine.

"The press used to constantly say that eastern Ukraine was on the verge of a separatist revolt," says Mr Hennadi Fomenko, governor of Luhansk province. "It didn't happen then and it won't happen now."

A former director of a Soviet armaments factory who speaks only halting Ukrainian, Mr Fomenko insists: "The east is an inte-

gral part of Ukraine. Besides, we know how our neighbours are doing in Russia, and they live no better than we do."

Eastern Ukrainian politicians, who dominate the central government in Kiev, have sound personal reasons to oppose union with Russia, a step that would relegate them to the status of minor backwater bosses. Even without this careerist inducement, many businessmen of eastern Ukraine seem to have shifted loyalties to the west.

"I am Russian. I was born and educated in Russia, and when the Soviet Union first fell apart it was very painful for me," says Mr Ihor Sedykh, a former engineer at a munitions plant who is now a private entrepreneur. "But today our country has been formed, and there are good reasons for this. I don't think it would be good for it to come apart."

For ethnic Russians like Mr Sedykh, the shock of abruptly becoming citizens

of independent Ukraine has been softened by Kiev's light hand on the introduction of the Ukrainian language.

"Here in the east, no one forces you to speak Ukrainian," says Mr Oleksiy Danilov, mayor of Luhansk.

Indeed, Mr Danilov, who, like many Ukrainians, is bilingual but tends to speak Russian at work, thinks it is Ukrainian rather than Russian which is endangered in Luhansk. He complains that many government agencies correspond only in Russian and admits, with some embarrassment, that fewer than 20 per cent of local schools are Ukrainian.

Finding a balance between forging a Ukrainian nation out of a land divided among dozens of conquerors over the past millennium, and respecting the preferences of eastern Ukrainians, will remain a challenge for Kiev for decades.

But the trends in eastern Ukraine are encouraging. Nostalgia for the Soviet Union seems to be dispers-

ing. Preoccupation with the past has given way to thoughts of the future, and politics and language have taken second place to economic concerns.

This was illustrated by a recent exchange on a late night flight from Moscow to Luhansk.

The surly crew forced passengers to wait on the tarmac in their stuffy, smelly aircraft for an hour after landing. When weary travellers began to protest, the Russian pilot shouted them down, saying they had voted for independence and should not now complain about delays at the border.

But, in a sign that even in remote Luhansk consumers are learning about their market rights, the passengers were unimpressed. "Independence has nothing to do with it," one man yelled back. "We paid good money for our tickets and we expect to be treated like people, not like dogs."

Chrystia Freeland

Swiss banks list lost account-holders

By Robert Wright

The Swiss Bankers' Association today takes the unprecedented step of publishing names of holders of dormant second world war accounts in an effort to defuse controversy over their handling of money deposited by Jews who later died in the Holocaust.

A list of about 1,500 names, along with names of those holding power of attorney over accounts, appears in today's editions of 28 newspapers in Europe, the US, Canada, Argentina, Israel, South Africa and Australia, including the Financial Times. The list will also be published on the internet.

Mr Greville Janner, the chairman of the UK's Holocaust Education Trust, said the decision to publish the names was welcome, but too late.

He said: "I have called for these names to be published for years. At last the Swiss are helping Holocaust survivors and victims of the Nazis and their families to recover money placed in Switzerland for safe keeping."

Privately, some Jewish groups speculated that the decision to publish now might be related to the launching, in October of last year, of a \$20bn (£11.9bn) class action in the US courts against all Swiss banks on behalf of all victims and survivors of

the Nazis who deposited money and property with them, during the second world war. Both Union Bank of Switzerland and Swiss Bank Corporation have said they will challenge the charges in court.

Earlier this month, the Swiss banking ombudsman announced the discovery of owners for a further SF17m (\$11.5m) in long-dormant accounts, a dramatic increase on the mere SF1.6m which had previously been traced back to its owners. The publication of the list is part of a process which has seen Swiss banks' famously secret records opened to a commission headed by Mr Paul Volcker, former chairman of the US federal reserve.

The banks list any account opened before 1945 by a non-Swiss citizen, and whose owner had not been heard from in more than 10 years. In October, a list of dormant accounts opened by Swiss citizens in the same time period will be published. Some Swiss citizens may have opened accounts on behalf of Jews.

Further details of how much is in the accounts and of the reasons for the SBA's actions will be made public today at a press conference in Zurich.

Local offices of the accountants Ernst & Young will deal with claims from members of the public who believe they have claims over listed accounts.

EU drafts new workers' rights

Black shut-out demands

Black shut-out demands

Black shut-out demands

Black shut-out demands

Black shut-out demands

Black shut-out demands

Lithuanians demand place in the sun

Baltic state reckons it deserves to be a member of the EU

Lithuania has experienced both "happiness and tragedy" on its switchback ride towards a market economy, lurching from an export boom to a banking bust, says Mr Vincas Babilius, its economics minister.

But he sees steeper progress in prospect as Lithuania's centre-right government, formed after last October's election, doggedly pursues its ambition of joining the European Union.

With economic growth forecast to reach 4 per cent this year, and as inflation and unemployment rates continue to fall, the biggest of the three former Soviet Baltic states ranks among Europe's better performing transition economies.

Lithuanian officials plan a fierce campaign to persuade EU leaders that their nation has moved far enough to be included in accession talks next year - contrary to the recent recommendation of the European Commission.

"We will do everything possible to change the conclusion of the Commission," vows Mr Gediminas Vagnorius, the prime minister, who accuses Brussels of using "obsolete" data. The fear of Lithuanian officials is that a delay in starting accession talks will damage investor confidence and encourage a reassertion of Russian influence in the region.

Mr Babilius recalls how Lithuania began its economic transformation in the early 1990s when quick-witted entrepreneurs helped their former Communist party masters in Moscow to sell their assets abroad. But this transit trade sucked in hot Russian money, pumping up the banking sector to unsustainable levels. The subsequent collapse of several of Lithuania's biggest banks required a complex financial salvage operation which seriously hampered economic recovery.

In recent months, the government has pushed the reform agenda hard and forged ahead with a privatisation programme. Sixty eight per cent of gross domestic product is now produced in the private sector. A further 14 state enterprises, including the national telecommunications, airline and shipping companies, are slated for sale this year.

Lithuania has also liberalised its trade and investment regimes and quickly reoriented its economy towards western Europe. The proportion of total trade conducted with EU countries has risen from 2 per cent in 1991 to 37

New government bows to military demands on secular education Ankara stamps on Islamist schools

By John Barnham in Ankara

Turkey's new secularist government announced an education policy yesterday designed to stamp out growing Islamist influence in schools, complying with a key military demand after only three weeks in power.

The government decided after an all-night cabinet session to extend compulsory, secularist education to eight years. Islamic schools, which have grown in popularity, will enrol no new children when the school year begins in September.

Mr Hikmet Uluoglu, education minister, said: "This

law is an important step towards attaining the modern society [Kemal Ataturk (the founder of modern Turkey) wanted." But Mr Necmettin Erbakan, formerly Turkey's first Islamist prime minister, demanded a referendum on the changes which, he said, would drag Turkey back "50 years to fascist, secularist times".

His Welfare party claims the government will be unable to muster a majority in parliament for the legislation even though it comfortably won a vote of confidence 10 days ago.

The army, which considers itself the guardian of the sec-

ular state founded by Ataturk 74 years ago, forced Mr Erbakan out of office last month. In February, the generals demanded immediate introduction of eight-year, compulsory education to curtail the growth in religious schools, which they claimed threatened the country's stability.

Some commentators, while supporting the government's anti-Islamist offensive, fear it is overreacting. Secularist prosecutors are trying to close Welfare and ban its MPs and leaders from public life. International human rights organisations have criticised the move.

The government has tried to ease criticism of Turkey's human rights record by proposing to free 124 journalists, publishers and writers jailed for infringing the country's strict security laws. Their jail terms are to be converted into three-year suspended sentences, although they could be jailed for violating the law a second time.

Islamists have resisted attempts to extend compulsory secularist education since the proposal was first mooted in the 1970s, fearing this would reduce the number of children entering religious Imam Hatip schools.

These schools were originally intended to provide trained preachers for Turkey's mosques but gradually evolved into general schools, often financed by local communities. Until now, primary education lasting only five years was compulsory in Turkey. Parents could then choose to send their children on to secondary schools, put them through Imam Hatip schools or send them out to work.

This, plus low budgets and years of government neglect, has delivered poor education standards. Turks receive on average less than four years of schooling. About a fifth of

the population is illiterate. Last year about 8 per cent of the 3.8m high school pupils studied at Imam Hatip schools, where they receive general education and religious training.

The military accused these schools of inculcating anti-secularist values. They claimed that, if unchecked, ex-pupils would form a majority of the electorate by 2005, guaranteeing permanent hegemony for the Welfare party.

The government says it will spend \$200m to prepare schools for the increased number of pupils by September.

Gazprom turns down the gas on Ukraine

Russia's gas monopoly, Gazprom, yesterday reduced natural gas supplies to Ukraine by 16 per cent in an attempt to force payment of hundreds of millions of dollars in overdue bills, writes Charles Clover in Moscow. Last Saturday, Gazprom cut supplies to Belarus by a quarter for the same reason, although it was reported last night to have resumed full service.

The company has been in dire

financial straits since being forced to pay a tax debt of \$3bn last month.

The Russian government's fiscal pressure on Gazprom may be forcing the company to get tougher on its own customers. However, a spokesman in Moscow denied the decision to put pressure on Ukraine and Belarus had anything to do with the company's finances.

"Time has simply come to teach

our partners about civilised business practices," he said.

Gazprom has had a tumultuous relationship with Ukraine since the country became independent in 1991. Ukraine is its largest customer among Russia's neighbours and last year imported 51bn cubic metres of natural gas, but it has built up vast payment arrears. Some reports put the figure at \$300m but the company refuses to

comment. Gazprom has shut off Ukraine's gas supplies many times in the past over payment delays, but the relationship has been complicated by the fact that most of the 123bn cu m of gas which Gazprom exports to western Europe must cross the country. Ukraine has been known to steal Gazprom's export gas if domestic supplies are curtailed.

The Kiev government reduced

arrears last year when it let marketing companies collect payments from customers, but analysts say customers have defaulted this year when the economy deteriorated further.

Ukraine continues to receive 15bn cu m of gas a year from Turkmenistan, but has trouble paying for this as well. Last April, Turkmenistan, too, cut off supplies temporarily.

Bugging report fuels media row in Spain

By Tom Burns in Madrid

A running battle between Spain's centre-right government and Prisa, the dominant domestic media group, took a controversial turn yesterday when El Pais, the group's flagship newspaper, reported that a bugging device had been discovered in the office of Mr Jesús de Polanco, Prisa's chairman.

"This is the last straw," said Mr Alfredo Rubalcaba, a minister in the former Socialist government. "A war is being waged against Prisa on land, sea and air."

There is little love lost between the governing Popular party and the Prisa group, which broadly backs the Socialist opposition. The two sides have crossed swords over a digital television service launched by Sogetel, the pay-TV unit of Mr Polanco's media empire.

A Madrid judge has laid charges against Mr Polanco in connection with alleged business malpractice by Sogetel, and the European Commission has warned the government that, by seeking to restrict the start-up of Sogetel's digital services, it is restricting the free movement of goods and services within the EU.

The discovery of what El Pais reported to be a sophisticated microphone inside Mr Polanco's office telephone is certain to worsen a

confrontation that is proving increasingly embarrassing for Mr José María Aznar, the prime minister. Prisa claims the law suit against Sogetel has been engineered by the government in a blatant attack on press freedom.

The government said it would investigate the bugging, which El Pais said could only have been carried out by "professionals". Phone taps are a highly emotive subject in Spain. Reports two years ago that several prominent public figures, including King Juan Carlos, had been bugged led to the resignation of the deputy prime minister in the Socialist government and of the head of Spain's intelligence service.

The launch of Sogetel's Canal Satellite Digital, which is backed by Canal Plus of France, has been opposed by the government at every regulatory turn. Officials have ruled against the decoders it has put on the market to receive the new TV service and the Popular party has introduced a "football law" that dilutes exclusive rights signed by Sogetel with top clubs.

The obstacles contrast with the Popular party's enthusiastic support for a rival, Via Digital, which is due to start after the summer. This is principally backed by the heavily subsidised and government-controlled state broadcaster.

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NEWS: WORLD TRADE

Bluff, bluster and browbeating beat Boeing

Guy de Jonquieres on how Brussels won its fight against the US aircraft maker

In the end, it was Boeing that blinked. A last-minute concession by the US aerospace manufacturer yesterday on the terms of its planned merger with McDonnell Douglas ended months of brinkmanship with Brussels, which has threatened to turn into the most bruising transatlantic confrontation for decades.

The Boeing offer was faxed to Mr Karel Van Miert, the EU competition commissioner, on the eve of a Commission meeting which was widely expected to outlaw the merger. The offer met the last of Mr Van Miert's main objections by proposing to scrap the exclusive 20-year supply agreements which Boeing has signed with three US airlines.

By dint of bluff, bluster and browbeating, Mr Van Miert had already persuaded Boeing to yield on two other points. It had agreed to limit defence technology "spillovers" into the merged group's commercial operations and to publish separate accounts for the Douglas civil aircraft business.

Boeing had also offered to shorten the exclusive supply agreements to 13 years, and to sign no more for a decade. But the company had refused, almost to the end, to abandon exclusivity altogether. Unless that happened, Mr Van Miert insisted, Brussels would veto

Boeing-McDonnell Douglas: diary of a deal

04/12/96 Boeing agrees new jet collaboration with McDonnell Douglas
15/12/96 Boeing announces proposed merger with McDonnell Douglas
20/2/97 Boeing applies to the EU for merger clearance
17/4/97 Van Miert warns exclusivity agreements may be a problem
22/5/97 EU sets out its objections to the deal
01/7/97 US regulators approve the merger
04/7/97 EU competition panel issues ultimatum to Boeing demanding big changes
16/7/97 EU's competition experts recommend deal is banned
17/7/97 Exclusive supply deals prove sticking point for Commission
20/7/97 US warns of retaliation if Brussels rejects bid
22/7/97 Deal deadlock appears to be broken by a last-minute Boeing concession

the merger.

Had the Commission done so, it would have unleashed a potentially uncontrollable chain reaction. Mr Van Miert had said that if the companies then pushed ahead with the merger, which US anti-trust authorities cleared last month, the EU would impose swingeing fines and business restrictions on them.

Such penalties would almost certainly have prompted US retaliation. Washington has been considering measures, ranging from filing a complaint against the EU in the World Trade Organisation to imposing anti-dumping or countervailing duties on exports of European Airbus to the US.

That nightmarish prospect has now receded, if it has not yet evaporated altogether. Mr Van Miert's fellow commissioners have yet to endorse his proposed set-

tlement with Boeing, and much detailed legal and technical work must be done to make Brussels' approval of the Boeing-McDonnell merger official.

The betting in Brussels last night was that Mr Van Miert would win the required support from a majority of the 20 commissioners today, and a package would be sewn up next week at their last meeting before the August break. However, some observers warned that some of Mr Van Miert's colleagues might resist, and even try to throw a spanner in the works. The stiffest opposition was expected from Mr Yves Thibault de Silguy and Mrs Edith Cresson, France's two commissioners.

President Jacques Chirac of France has repeatedly urged the Commission to stand firm against the Boeing merger - most recently

just as the US company was faxing its peace offer to Brussels yesterday.

Mr Chirac's interventions have been unusually strident, given that the Commission is supposed to have complete independence in competition policy. Some observers suspect he has seen the Boeing case as a way to get back at the US over recent legislation which could lead to sanctions on European companies with business interests in Cuba, Libya and Iran.

French oil companies, notably Elf and Total, are particularly vulnerable to measures provided for in the D'Amato Act, passed by the US Congress last year, which seeks to punish foreign investors in the energy sectors of Libya and Iran.

But although other EU governments are angry about the US legislation, it is unclear that enough of them

share Mr Chirac's apparent outrage to the extent of pressing their commissioners to oppose approval of the Boeing merger.

Whether Washington put political pressure on Boeing to back down is not known. The evidence suggests, however, that the company's decision was its own: according to one report, it even asked the White House to stand aside this week and leave it to settle its differences with Brussels alone.

Even less clear is why the dispute went to the brink over an issue - the exclusivity deals - which both sides regard as commercially trivial. Most industry observers believe the US airlines which have such deals with Boeing would buy most of their aircraft from the company, even if no such supply contracts were signed.

The biggest longer-term question, though, is whether the jurisdictional conflict between US and EU authorities which led to the dispute was a one-off incident - or presages further transatlantic anti-trust confrontations.

Many of the problems stemmed from the companies' unusual structure - probably unique in manufacturing industry. Their minimal assets in the EU deprived the Commission of the direct leverage which it normally can exercise to get multinational companies to modify the terms of mergers.



Van Miert: successfully extracted concessions from Boeing

But Mr Van Miert's success in extracting concessions from Boeing might encourage the Commission to take a more aggressive and belligerent stance towards the US in future cases.

Anti-trust lawyers and even some EU officials

believe any such temptation should be resisted. They argue that Mr Van Miert took a huge gamble by taking on Boeing - and potentially the political might of Washington. He should, they say, simply count himself lucky that the gamble turned out as it did.

Russia offers to open markets

By Frances Williams in Geneva

Russia yesterday told the World Trade Organisation it would put forward plans to open its markets to foreign competition by the end of this year - a big step forward in its bid to join the world trade body next year.

Russia's WTO application has made slow progress since it applied to join GATT, the WTO's predecessor, in 1993. However, negotiations on membership terms have intensified this year.

The US pledged in March to support Russia's entry in 1998, provided it can satisfy WTO obligations, and Mr Anatoly Chubais, Russia's first deputy prime minister, who is spearheading economic reform, has taken personal charge of negotiations.

Mr Georgy Gabunia, Russia's vice-minister for foreign trade, told an informal meeting of the WTO membership working party yesterday that Moscow intended to submit an offer on market access for foreign goods, including farm products, in the autumn, and on liberalisation of services towards the end of the year.

Trade officials said improving access for foreign agricultural imports and opening up the services sector, especially the sensitive financial sector, are expected to prove the most difficult areas for the Russian government when detailed talks begin in earnest.

Aspiring WTO members must not only show that their trade legislation and practices comply with international fair trade rules but must negotiate a package of market-opening measures with all their main trading partners on a bilateral basis.

Until Russia submits its detailed offer, on an item-by-item basis, this process cannot begin. So far, the WTO working party has focused on Russia's current and proposed trade laws.

Europe's excavator makers steer output towards US

By Peter Mair

Caterpillar and Komatsu, the world's two biggest makers of construction equipment, are this year switching part of their European output to the US to meet unexpectedly high demand there.

The change underlines how large companies can move output from plants around the world to satisfy demand in different markets.

It also illustrates the boom in demand for construction

machines in the US, where as a result of a buoyant economy sales of construction equipment this year are expected to be slightly above the 1996 level. This is likely to be the fifth successive year to show a sales rise.

In contrast, European demand for construction machinery such as excavators and earth movers has recently been extremely sluggish, mainly because of a public spending squeeze in many countries due to gov-

ernment efforts to meet the financial criteria for economic and monetary union.

Sales of construction machines - which are running at about \$15bn a year in western Europe and some \$20bn a year in the US - are one of the best indicators of overall economic demand. Sales of the machines tend to rise especially when housing and public infrastructure projects are booming.

In a normal year, Caterpillar's biggest European plant

at Gosselies near Brussels exports just 2 per cent of its \$1bn-a-year output of excavators, heavy trucks and engines to the US. This year, the proportion is likely to be 10 per cent.

Caterpillar's full order books from US customers has persuaded the company to channel a large part of its production to the US, even though it means paying extra transport costs.

According to Caterpillar, the high price of the

machines - up to \$500,000 - means the extra shipping makes little difference to its overall costs.

A similar strategy is in evidence at Komatsu's main European excavator plant in Birtley, north-east England. This year about 300 of the 4,000 machines the factory is due to make will be shipped to the US. In most years, virtually all the plant's production is sold in Europe.

Mr Dirk Stukkens, Komatsu's European marketing

manager, said the switching in output was an example of the company's ability to operate its plants flexibly.

Torex of the US - another big construction equipment company - is moving in a similar direction. Of the 750 trucks that it expects to make this year in its main European truck plant near Glasgow in the UK, 300 will be shipped to the US. This is three times the figure in the early 1990s when the European and US markets for the

products were showing a similar level of demand.

Mr Charles Yengst, an analyst at Yengst Associates, a US construction equipment consultancy, said the continuing strength of the US construction machinery business had come as a surprise. "Factories are chugging along at high capacity. This year the market is definitely not going to turn down and there may still be some room for growth."

NEWS: INTERNATIONAL

Mombasa Moslems lose faith in Moi

Angered by discrimination over land and religious parties, a key minority has turned against Kenya's beleaguered Christian president, writes Michela Wrong

Half-way through a scrappy renovation, surrounded by piles of gravel, the Jihad mosque has little of historical or architectural interest to recommend it.

But that has not stopped police and youths fighting running battles in the woodland plot where it stands. Its value lies not in its aesthetic charm, but in its symbolism. Perched on the edge of a golf course an hour's drive from Mombasa, the building is at the centre of a dispute between hotel owners who want to extend the green and the Moslem community outraged by the idea of any mosque, however ramshackle, being demolished.

The battle is just the latest example of a growing phenomenon on Kenya's coast. In case after case public land, supposedly held by the state for the common good, is sold to private developers, who eject "squatters" who have often lived there for generations.

Dubbed "landgrabbing", the trend lies at the heart of a general disillusionment among the Moslem community with President Daniel arap Moi. Coming when Mr Moi is under unprecedented pressure to change a constitution giving him the upper hand in elections, that anger could help shake the regime's hold on power when elections are held later this year.

One reason lies in legislation drafted before Kenya's first multi-party contest in 1992.

One of the laws reformers want rescinded stipulates that the winner must gain at least 25 per cent of the vote in at least five of the country's eight provinces, a tall order for opposition parties with narrowly ethnic constituencies.

Ironically, Mr Moi may now himself have problems meeting those requirements. If he fails, he will have to stand in a runoff bout. For the ruling Kikuyu party, that makes possible what opposition bickering has so far averted: Mr Moi, who garnered less than a third of the national vote in 1992, losing against a candidate tapping



Mombasa's well-known elephant tusk arches. Plagued by water shortages, power cuts and disintegrating roads, the city feels neglected and betrayed

the opposition's combined support.

So Mr Moi, who won an impressive 82 per cent of the vote in 1992, can ill afford to lose the Moslems, who claim to account for up to a quarter of Kenya's population.

Tracing its roots to Arab traders who came in search of spices, ivory and slaves, the Moslem community has a history all its own. When Kenya's interior was firmly in British hands, the coastal strip belonged to the Sultan-

"We are afraid because all the tribes of Kenya are mixed up in Mombasa. It is just like petrol and a matchbox"

ate of Zanzibar, a British protectorate. At independence London bought the strip from the Sultan and gave it to the new-born Kenyan government.

In return for surrendering their separatist aspirations, the Moslems were told their interests would be safeguarded. That promise, many feel, has now been breached.

"The land issue is particularly hot," says Sheikh Khalifa Mohamed, interim chairman of the Islamic Party of Kenya (IPK), which the government refuses to register because of its religious basis. "They have grabbed mosque land, church land, pavements, even public toilets." Locals also complain at the disproportionately small number of Moslem cabinet ministers, army chiefs, top civil servants. They rail at the failure to register IPK, government obstruction when it comes to setting up Islamic educational institutions, the general hostility of a president who is a devout Christian.

"Since Mr Moi took over, not a single Moslem project has gone through," says Mr Mumin Masrui, coastal chairman of the Supreme Council of Kenya Moslems. "Even under Kenyatta, Moslems were dissatisfied. But now they feel that President Moi hates the community and is doing his best to suppress it."

Mombasa's role as East Africa's largest port and the hub of a tourist industry bringing in half a billion dollars a year merely makes things worse.

The port handles cargo bound for inland Kenya, Uganda, Burundi, Rwanda and beyond. The coastal strip receives 70 per cent of

the tourists visiting Kenya. But outside the top hotels mostly owned by foreigners or upcountry Kenyans - spill-over benefits are hard to spot.

Mombasa is a collapsing mess of a city plagued by water shortages, power cuts and disintegrating roads. The drive in from the airport, round pools of muddy water and broken-down trucks, is a national disgrace.

A sense of betrayal over this neglect, locals say,

"Even under Kenyatta, Moslems were dissatisfied. But now they feel Moi hates the community"

means the elections could take a radically different turn from 1992, when Kikuyu partly relied on the ill-informed rural population's failure to grasp the principle of multipartyism to sweep the board in the parliamentaries, but lost three out of four seats in more sophisticated Mombasa.

The return of Sheikh Khalid Balala, a fiery Mos-

lem preacher the government only recently allowed to return from three years of exile in Germany, may also alter the equation, drowning out Kikuyu's recent attempts to favour curvy with a spate of clinic constructions, bus donations and water projects.

Like many opposition figures, he places no faith in Mr Moi's recent promises to level the electoral playing field. Hugely popular with the young, an expert at mobilising crowds, he plans to make Mombasa - hitherto little affected by Nairobi politics - a showcase for the constitutional reform campaign.

"Kanu has lost the coast forever. We will raise the temperature to boiling point, to explosion level. This place will roast," he says. A rally, a repeat of the meetings that this month triggered Nairobi's worst unrest since the introduction of multipartyism, is scheduled in the port on Saturday.

The flurry of promised political activity in Mombasa makes many residents uneasy. With its volatile mix of upcountry and coastal people, diverse religions and cultures, the city has a tendency to turn more violent than Nairobi, as witnessed in the last elections.

Mr Shariff Nassir, Mombasa's long-standing Kanu boss, says he is worried about potential bloodshed, not Kanu's ability to triumph in the elections. "We are very afraid because all the tribes of Kenya are mixed up in Mombasa. It is just like petrol and a matchbox."

Residents also warn that a few glimpses by unsuspecting tourists of the grim reality of Kenyan police tactics could also do the country far more economic damage than the fortnight of unrest in the capital that already caused the shilling to wobble.

"The impact of Nairobi-style incidents would be tremendous and immediate," says Professor Juma Lugogo, head of the Coastal Development Authority. "Violence is never selective and the most vulnerable would suffer. We must have peace."

Israelis plan to bar Palestinian injury claims

By Judy Dempsey in Jerusalem

The Israeli Knesset, or parliament, was last night expected to support the first reading of a new law which would prevent Palestinians injured by Israeli security forces from filing for compensation.

The law, which the government intends to put on the statute books by August 2 when the Knesset goes into summer recess, has been sharply criticised by human rights groups and lawyers as discriminating and "a corruption of the legal system".

Drawn up by the justice ministry headed by Mr Tzahi Hanegbi, the law is aimed at Palestinians who are seeking compensation for injury during the Intifada, the Palestinian uprising between 1987 and 1993. More than 1,300 Palestinians were killed by the Israeli security forces. In fewer than 10 cases, soldiers were convicted of intentionally inflicting injury.

If adopted, Palestinians would no longer be able to seek through the Israeli courts compensation from the state for injury or death. Instead, plaintiffs would have to redirect their search for compensation to a new committee appointed by the defence ministry.

The committee would be authorised to grant "out of humanitarian consideration" payment to injured parties or their dependents. Even if compensation were paid out, it would be less than through the Israeli courts and, in some cases, less than the medical bills.

B'Tselem, the independent Israeli Information Centre for Human Rights in the Occupied Territories, said the law was also discriminating because an Israeli or foreign resident would still be entitled to compensation through the courts if injured by the security forces.

Even if Palestinians did try and seek justice through the committee, those who had been involved in "a seri-

The Israeli government was last night bracing itself for strikes and protests over its \$1.850bn (\$228.5m) budget cut which was presented to cabinet for debate last night, writes Judy Dempsey in Jerusalem.

The cuts, drawn up by Mr Yaakov Neeman, the recently appointed finance minister, and backed by Mr Benjamin Netanyahu, the prime minister, are aimed at cutting this year's budget deficit to 2.8 per cent of gross domestic product from 4.8 per cent last year.

The need to find additional cuts stems from a revenue shortfall of \$1.35bn in customs and VAT payments and \$1.1bn from income and other direct taxes.

Mr Neeman intends to trim spending in all the ministries by 0.9 per cent, excluding the defence and health ministries which are demanding additional spending of \$1.5bn and \$1.1bn respectively.

Doctors in state hospitals yesterday were out on strike and teachers and parents have already started lobbying against any cuts which would affect education.

ous terrorist act" even if they were injured in a completely unrelated event, would not be able to present their claim to the committee.

"It is a legal recipe for impunity," said B'Tselem. Mr Uriel Procaccia, a law professor at the Hebrew University, said the draft law was "a corruption of our legal system and I only hope that if the law is passed, the Supreme Court will throw it out." The real motives behind the law were "to save money".

The justice ministry yesterday shrugged off criticisms, saying civil suits filed by Palestinians were "crowding the court dockets" and the state would be have to pay large sums as a result of this type of tort suit.

Aid to poor falls to lowest level

By Michael Peel in London

Aid from industrialised nations to developing countries has fallen to its lowest level since records began in 1950, according to a report yesterday by Unicef, the United Nations children's agency.

In 1995 the 21 members of the Organisation for Economic Co-operation and Development gave an average 0.27 per cent of gross national product, down from 0.34 per cent in 1990.

Ms Carol Bellamy, executive director of Unicef, said the total aid funds of \$58.9bn were "dismal". "That is the smallest amount since statistics on it were first collected in 1950," she said.

"In a \$1,250bn global economy, a quarter of humans are living lives of unimaginable squalor and distress."

The US gave the least, as percentage of GNP, donating 0.1 per cent of GNP. Denmark, by contrast, gave the most at 1.04 per cent.

Only Denmark, Norway, the Netherlands and Sweden gave more than the UN target of 0.7 per cent of GNP.

Although private investment in developing countries increased from \$52bn in 1990 to \$159bn in 1995, Ms Bellamy said most of this had gone to a handful of emerging economies while the poorest sub-Saharan African countries received "a pittance".

She said the extra \$95bn that would be raised if the OECD countries met the UN aid target would "break the back of global poverty".

The Unicef report said deaths of young children in developing countries from AIDS was forecast to triple by 2010. The US Bureau of Census forecast that 357,000 infants in 19 "high-risk" countries would die of AIDS in 2010.

The bureau estimated that 61 per cent of all infant deaths in Botswana, the worst affected country, would be AIDS-related.

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NEWS: THE AMERICAS

Venezuela halts cellphone operators' expansion

By Raymond Collitt
in Caracas

Venezuela's two cellular telephone operators have been banned from taking on customers until their service is improved.

In an unprecedented move, Conatel, the Venezuelan telecommunications regulatory agency, has told Telcel and Movilnet that they cannot expand their customer base because excessive demand appears to have caused a

deterioration in the service. However, Casatel, the chamber of telecommunications companies, said such unilateral decisions muddled the rules of the game, undermining investor confidence and impairing new investments in the industry. The chamber says Conatel, by law, is obliged to consult the companies before taking any such action.

The companies' 1992 concession contracts stipulate minimum service require-

ments but, industry analysts say, it is not clear whether Conatel has the authority to actually prevent companies from expanding. Conatel refused to comment.

Movilnet said it had halted the sale of all new subscriptions on Monday in response to the Conatel order. "If this ban continues for some time," said Mrs Maria Eugenia Tinedo, equity analyst with Deutsche Morgan Grenfell in Caracas, "it could effect the year end results of

CanTV [the parent company of Movilnet]. Mrs Tinedo estimated that cellular telephony contributes more than 10 per cent of CanTV's income. Telcel, which belongs to the privately-owned Cisneros group of companies, apparently halted sales on its own initiative at the beginning of July.

While both companies have recognised there have been bottlenecks in their capacity to process phone

calls, provoking complaints by customers, they say they can resolve the problem within weeks. Telcel has launched a six-month, \$160m investment plan to improve its service and double its capacity to process calls.

The number of cellular phone users in Venezuela has rocketed in recent months as the country emerges from a five-year recession and expects economic growth of 4 per cent this year. The number of cel-

lular phone users has increased from 450,000 in 1993 to about 800,000, Conatel says. In only seven months the figure has jumped more than 200,000.

Critics say Conatel is in part responsible for the current situation because it only authorised two cellular telephone operators. Venezuela has one of the highest cellular phone market penetrations in Latin America.

The regulator's move has renewed concerns about

excessive intervention by agencies. "Clearly the regulatory regime in Venezuela is deficient," said Mrs Tinedo. There have also been complaints of populist rate policies pursued by the government in the electricity, transport and telecommunications sectors. CanTV and Electricidad de Caracas (Elocar), the country's largest private sector power company, have seen rate increases repeatedly delayed or denied over the past year.

Hope for new advance on birth defects

By Michael Peel

A US doctor announced yesterday that he hoped within five years to treat a baby with birth defects with tissues extracted when it was a foetus.

Dr Dario Fauza, a fellow of the Harvard Medical School, told the annual conference of the British Association of Paediatric Surgeons in Istanbul that he had grown part of the bladder of an unborn sheep in a laboratory and then implanted the mature tissue in the newborn baby sheep.

This is the first time someone has used engineered tissue from a foetus to treat a newborn animal. "This is important because the animal is much less likely to reject its own implanted tissue than material from another foetus or animal."

Dr Fauza said he hoped to develop the technique in the next few years to allow doctors to treat babies with birth defects, such as tumours which require tissue grafts. "Babies are just so small that they just don't have enough skin to graft," said Mr Bill Schaller, public information officer for the school.

"This [technique] could be essential for some of the birth defects that are potentially fatal if they are not corrected within hours or days of birth."

He said the technique could be extended to grow replacement tissue for more complex organs such as the liver. "There should be few ethical issues in that you are taking material from the foetus to help him or herself when he or she is born," he said. He said the school had no plans to test if foetal tis-

sue could be used to treat adults or other babies.

Dr Neil Sebire, senior research fellow at the Harris Birthright Research Centre at London's King's College Hospital, said the technique could be immediately helpful in treating some rare conditions. "It's certainly a very

"There should be few ethical issues in that you are taking material from the foetus to help him or herself when he or she is born"

exciting concept," he said. "Although there are relatively few problems that a foetus could have where the lack of tissue to graft is a problem."

He said the technique might help in cases of hernias and defects in the abdominal wall where a large amount of skin was needed. At present doctors use patches of plastic mesh and hope the surrounding skin grows together.

Dr Sebire said the technique could be invaluable in treating patients such as burns victims who required large grafts of skin. "The theoretical big advantage is if you could use the tissues to treat adults, but that raises big ethical problems," he said. "Another question is whether the same problems of graft rejection would happen with foetal tissues as with adult tissues."

Republican knives out for Gingrich

I was on the steps of the Senate that Julius Caesar succumbed to the jealousy of his political rivals in the twilight of the Roman republic.

For Mr Newt Gingrich, the treachery is taking place in the corridors of the House of Representatives.

The Speaker of the House, once feted in triumph as leader of the Republican revolution, is now battling for his political survival, surrounded by colleagues who seem intent on knifing him.

Last night, Mr Gingrich met his most senior deputies in an attempt to quell the rebellion which has consumed the party for the past two weeks. But it was not at all clear whether anyone was listening.

The turmoil began two weeks ago when Mr Gingrich survived what looked like a rather half-hearted attempt to oust him by a couple of dozen junior House Republicans. The hardliners, irritated by what they claim to have been Mr Gingrich's retreat from conservative doctrine, called for his removal.

The coup attempt would have been dismissed as the rantings of disgruntled juniors had it not been for the extraordinary events that followed.



Newt Gingrich: battling for his political survival

In an effort to defuse the row, Mr Gingrich agreed that the plotters should meet his four most senior lieutenants - Mr Dick Armey, Mr Tom DeLay, Mr John Boehner and Mr Bill Paxon.

Accounts of the meeting vary, but according to the plotters, far from damping their mutual zeal, the four men actually egged them on, and spent much time discussing among themselves

who might be presented as the credible alternative Speaker.

When reports of the meeting seeped out last week, Mr Gingrich moved. He promptly fired Mr Paxon (the only one he could remove since the other three are elected party officials).

All four men offered unconvincing denials that they had actively abetted the coup.

Mr Armey and Mr Boehner

claimed they had merely been trying to disarm the plotters. Mr Paxon acknowledged he had "lost the Speaker's trust". Mr DeLay, most revealingly, simply issued a statement saying he had no intention of resigning.

It certainly appears that Mr Gingrich now leads an impossibly divided rabble. On Monday, he expressed his determination to continue, saying it was his job to act as the Republicans' "head coach", reminding them "firmly if necessary, that we are after all a team".

He may now try to purge his senior ranks of the disloyal deputies, though that will be difficult, since the remainder were all elected by House Republicans as a whole. Mr DeLay, at least, might be forced to step down.

But in the longer term, the Republicans' broader problems will continue, with or without Mr Gingrich or any of his colleagues.

The difficulties seem, on the surface, hard to explain. Though they lost the presidential election last year, the Republicans held on to control of both the House and the Senate, the first time they had been re-elected in charge of the legislative

branch for nearly 70 years. The political agenda remains dominated by their ideas - two cherished Republican goals, a balanced budget and a large capital gains tax cut, are near agreement.

Their deeper problem is that though they may be winning Washington's political war, they keep losing the big battles.

In the past two and a half years, Republicans have been constantly outmanoeuvred by President Bill Clinton when it comes to earning political credit.

Since the budget battle two years ago that resulted in a government shutdown, Mr Clinton has proved brilliant at presenting popular Republican changes as his own, while blaming the opposition for the unpopular elements.

The result is frustratingly obvious to Mr Gingrich's colleagues. While Mr Clinton enjoys the highest approval ratings of his presidency, the Congress is held in lower esteem than ever.

Dumping the still unpopular Mr Gingrich might seem like a good idea, but in the wake of the aborted coup, it is harder than ever to see a plausible and popular alternative.

Gerard Baker

Roth moves closer to top Asia post

By Heather Bourbeau
in Washington

Mr Stanley Roth looks set at last to land the State Department's top job in Asia after he was well received yesterday by the Senate Foreign Relations Committee in the hearing on his nomination.

Mr Roth, whose nomination as assistant secretary of state for east Asian and Pacific affairs, has been held up for several months, emphasised regional unity

and a balance between security, policy and economic goals.

He placed economics before "basic values" but later addressed the fears of human rights groups who opposed his nomination by highlighting his record in protecting human rights in East Timor.

Questioned on recent power struggles in Cambodia, Mr Roth cautiously refused to use the word "coup", stating: "What is

more important than the word is the action, which is inexcusable." He placed working with Mr Stephen Solarz, the administration's special envoy to Cambodia, to find a regional solution as one of his highest priorities if confirmed.

The committee members, however, appeared most concerned about Mr Roth's stance towards China, and his role in President Bill Clinton's 1994 decision to treat human rights issues

separately from the annual renewal of China's Most Favoured Nation trade status.

Mr Roth yesterday denied holding personal meetings with Mr John Huang, the businessman at the centre of allegations, now being investigated by the Senate, that China had tried illegally to influence US foreign policy. He also said he thought the MFN policy decision was influenced solely by a better-informed approach. He

added, however, that if allegations were proven that China tried to influence policy through campaign financing, that would have serious implications in the region.

Mr Roth is the former deputy assistant secretary of defence for east Asian and Pacific affairs as well as former special assistant to President Clinton and senior director for Asian affairs at the National Security Council.

Brazil business optimistic on economic prospects

By Geoff Dyer in São Paulo

Brazilian businesses are highly optimistic about the country's economic prospects and expect profits and sales to grow over the next two years, according to a survey published yesterday.

Businesses also expect interest rates to fall, the public sector deficit to be reduced and exports to grow, according to the poll, which

was produced by the news agency Reuters and Zogby International, a research organisation.

The upbeat outlook from the business community comes at a time when some analysts have been predicting a slowdown in consumption in the second half of the year and have been scaling back forecasts for economic growth in 1997.

The optimistic tone also con-

trasts with the mounting concern about Brazil's large fiscal and current account deficits and the predictions in recent weeks from some leading economists that Brazil could become a target for currency speculators.

The survey was conducted from June 23 to July 11 and was based on responses from 348 businesses. The Brazil Business Confidence Index will be published every six

months. Of the businesses surveyed, 84 per cent expect either substantial or moderate growth over the next two years, with only 2 per cent expecting the economy to contract.

Nearly 70 per cent said sales would grow this year, with only 3.7 per cent expecting sales to decline, while almost 80 per cent of respondents said sales would rise in 1998, which is an election

year in Brazil. Thirty-seven per cent of companies expect their exports to rise in the second half of this year and 44 per cent expect an increase in exports next year.

However, businesses are not so optimistic about job creation.

Only 44 per cent of companies said that they would increase employment this year, while about 35 per cent said they would add jobs next year.

Competition watchdog shows its teeth

The present government has encouraged an assertive competition policy. Geoff Dyer reports

Fourteen thousand tonnes of toothpaste will be sold at an auction in São Paulo this week in one of the more bizarre examples of the confusion in Brazilian government circles about the impact of foreign investment on the country's new-economy.

It was in the toothpaste market that Cade, the government's competition watchdog, first showed its teeth to multinational companies. Following the acquisition by Colgate-Palmolive, the US consumer products group, of the South American toothpaste company Kolynos in January 1995, which gave the combined group 80 per cent of the Brazilian market, Cade ordered that it sell part of its toothpaste mountain to rivals in order to increase competition.

The toothpaste dispute, however, was nothing compared with the furore caused last month by Cade's decision to dissolve a joint venture between Miller Brewing of the US and Brahma, Brazil's largest beermaker on the grounds that it inhibited competition.

And when it meets again today, Cade is expected to order the same course of action over a tie-up between Anheuser-Busch, the US manufacturer whose best-

Controversial decisions by Cade

Transaction	Date	Product	Decision
Acquisition of Kolynos by Colgate-Palmolive	1995	Toothpaste	Sale of part of stock and suspension of Kolynos toothpaste brand for four years
Joint venture between Brahma and Miller Brewing	1995	Beer	Gave the two companies two years to dissolve the joint venture
Joint venture between Antarctica and Anheuser-Busch	1996	Beer	Expected to order the dissolution of the joint venture



Budweiser in the spotlight

known brand is Budweiser, and Antarctica, Brahma's nearest local rival.

With tempers increasingly frayed among both officials and businessmen, the president of Cade, Mr Gesner Oliveira, has accused the five members of the committee (out of seven) who voted against the Brahma joint venture of "xenophobia".

The Cade decisions have struck at a raw nerve of the government's economic policy. Brazil has become one of the most attractive locations in the world for direct investment as a result of the transformation of its economy since the launch of a new currency three years ago.

These investment flows are doubly important for the economy, for as well as help-

ing finance the expanding current account deficit, which is expected to exceed 4 per cent of GDP this year, they also cut dependence on more fickle short-term capital to make up the shortfall.

Yet having stripped away much of the regulation that isolated Brazil from foreign companies in the post-war period, the current government has been instrumental in encouraging a more assertive competition policy.

Indeed President Fernando Henrique Cardoso was finance minister in 1994 when the bill was passed which made Cade - short for Administrative Council for Economic Defence - independent from the government.

In the toothpaste example, few would deny that the Col-

gate acquisition of Kolynos raised legitimate competition questions: the argument has been over how to resolve those issues. As well as ordering the sale of part of the stock, Cade banned the Kolynos brand for four years to give competitors a chance to establish themselves.

Colgate launched a new brand in May, but Cade decided that it was too similar to Kolynos. A new marketing strategy is expected to be presented this week.

However in the case of the beer joint ventures, opinions are much more polarised. The argument against them is based on the "potential competition" - a little-used legal concept - that would have arisen had the foreign companies entered the market on their own behalf.

Ms Lucia Helena Salgado, who has led the opposition camp on Cade, said that Brahma and Antarctica have used the joint ventures to limit and control the competition from the two US brewers. "The joint ventures reinforce the dominant domestic positions of these two companies," she said.

"This was a stupid and political decision," says Mr Marco Melo, analyst at Bozano, Simonsen, the Rio de Janeiro investment bank. He says the industry is already highly competitive - Antarctica has in recent years lost market share to Kaiser, the third largest national brewer - and the cost of setting up a new network would be prohibitive for a foreign company.

But what does it mean for foreign investment? "Multinationals will not stop investing in Brazil because of this," said Mr Ivan Avila Oliveira, a director at Trevi-San Management Consultants in São Paulo. However he says it could cause problems for some prospective joint ventures, such as in the airlines industry where a number of foreign carriers are looking at possible links with Brazilian rivals.

Investment bankers think Cade has made a point of the two Brazilian brewers because of their high profile.

However, they say that joint ventures will now have to be structured to show obvious technology transfers and efficiency improvements to two of Cade's main objections to the beer tie-ups.

Cade officials, meanwhile, are keen to play down the implications. "Every decision is taken on a case-by-case basis. There are no general rules about joint ventures," said Mr Oliveira.

This plethora of competition disputes is an inevitable teething problem of Brazil's move away from a closed and heavily state-owned economy. Ten years ago the job of most economics officials was to set prices or to choose which imports were to be substituted by domestic products. Now they need to feel comfortable in areas such as anti-dumping rules and intellectual property rights.

"All this turbulence is positive, it has provoked debate," said Mr Ruy Coutinho, head of the Ministry of Justice's economic law department, the other government arm of competition policy. "The government is learning how to implement competition rules and the private sector is learning how to cope with a world where competition is allowed."

Clinton to back rise in Medicare premiums

By Gerard Baker
in Washington

US president Bill Clinton promised the Republican congressional leadership yesterday he would back a controversial proposal to raise premiums for public health insurance as part of a package of measures aimed at balancing the federal budget by 2002.

"I would be happy to defend the vote of any member of Congress, Democrat or Republican, who votes for this," Mr Clinton said.

His remarks were intended to break a potential logjam over healthcare in the final stages of budget talks between the White House and Congress. On Monday, House and Senate Republicans backed away from an earlier proposal to raise premiums and the age of eligibility for Medicare, the system of public health insurance for the elderly.

Republicans were worried the president would seek to make political capital out of any rises they make in such charges, accusing his opponents of approving what amounts to a tax rise for the elderly. Mr Clinton also offered to let the Treasury, rather than the Internal Revenue Service, collect extra premiums, a largely cosmetic move to make them look less like tax increases.

The president's gestures seemed likely to help the negotiations along, but important differences remain before final agreement is reached on the budget, which, in addition to balancing the federal finances in five years, would also cut taxes by \$135m.

The House and Senate have still to agree on whether to raise tobacco taxes to pay for greater provision of health insurance for children. There are also gaps between Congress and the White House on the administration of extra funds for children's insurance.

US state in clash over benefits

By Christopher Parkes
in Los Angeles

California's most prominent Latino politician has clashed with the Republican governor by calling on the state to replace welfare benefits that are set to be withdrawn by the federal government.

Mr Cruz Bustamante, a Democrat and the first Mexican-American to hold office as speaker in the state assembly, launched his initiative on behalf of poor legal immigrants with an emotional appeal and a television commercial promising California would "do the right thing".

The move, which is likely further to delay passage of the state budget - already three weeks overdue - sets the stage for a protracted stand-off with Mr Pete Wilson, the governor. Mr Wilson recently proposed a \$1bn-a-year cut in state income taxes.

The clash may also restore Mr Bustamante's political status, especially among Latinos. The speaker has given a lacklustre performance since his election last year.

According to some estimates, 150,000 legal immigrants will lose their right to food stamps and supplementary benefits in September. Although Mr Bustamante said the cost of state intervention would be only about \$123,000, his call was immediately rejected by Mr Wilson's office. The governor has consistently insisted immigrant issues are a matter for the federal authorities.

California, which is home to half the nation's immigrants, many in poorly paid agricultural or domestic jobs, "is not in a position to assume the responsibilities of the federal government", the governor's spokesman said.

The conflict may be the precursor of further muscle-flexing as Latinos advocates gain increasing political power. Latinos are predicted soon to become the largest ethnic group in the state.

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GLOBAL CLAIMS PROCESS TO IDENTIFY OWNERS OF DORMANT WORLD WAR II-ERA ACCOUNTS

Today, as part of a new, expedited claims process, the Swiss Bankers Association is publishing the list of all known World War II-era dormant accounts of non-Swiss individuals. This initiative will be administered by an international board of trustees and supervised by the Swiss Federal Banking Commission and the Independent Committee of Eminent Persons ("ICEP") chaired by Paul Volcker that was established to identify dormant accounts of Holocaust victims.

- ☐ The claims process is clear and simple. No fees are involved.
- ☐ The published list contains all known dormant Swiss bank accounts opened by non-Swiss customers before the end of World War II. A separate list of individuals who hold powers of attorney to these accounts is included to provide additional information.
- ☐ A list of all World War II-era dormant accounts of Swiss citizens will be made public in October. If any additional accounts are identified by the ICEP audit, they also will be made public.
- ☐ Because some accounts were held jointly and some account holders granted powers of attorney to others, there are more names listed than actual accounts.
- ☐ Ernst & Young, the international accounting organisation, will help individuals to submit claims in connection with the published list. Ernst & Young has set up contact offices in New York, Tel Aviv, Sydney, Budapest and Basle.
- ☐ An international panel of independent arbitrators will evaluate claims under relaxed standards of proof.
- ☐ Claims to published accounts will be resolved as soon as possible with a deadline of one year.
- ☐ The Swiss banks are committed to using unclaimed Holocaust-era funds for humanitarian or charitable purposes.

Please come forward. You will receive prompt and serious attention. Thank you.

If you recognise a name on the list and believe you are the rightful owner of a dormant account, or if you have any information that would assist in locating a rightful owner, please complete the Information Kit Request Form and send it to one of the Ernst & Young contact offices listed below. You will receive an information kit written in plain English which describes fully the claims process and explains how to file a claim. Should you have any questions, please call the following freephone number: 0800 731 04 51.

- Ernst & Young LLP, c/o Dormant Accounts
P.O. Box 1880 Radio City Station, New York, NY 10101-1880, +1 212 344 0610
- Kost Levy and Forer, c/o Dormant Accounts
2 Kremenski Street, Tel Aviv, Israel, 972 3 623 2525
- ATAG Ernst & Young, c/o Dormant Accounts
Aeschengraben 9, P.O. Box 2149, CH-4002 Basel, Switzerland, +41 61 272 08 11
- Ernst & Young Kft, c/o Dormant Accounts
1146 Budapest, Hermina út 17, Hungary, +36 1 343 5117
- Ernst & Young, c/o Dormant Accounts
The Ernst & Young Building, G.P.O. Box 2646, Sydney, N.S.W. 2001, Australia, +61 2 9248 5736
- <http://www.dormantaccounts.ch>

Information Kit Request Form

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- | | | | | |
|-------------------------------------|------------------------------------|----------------------------------|----------------------------------|---------------------------------|
| <input type="checkbox"/> English | <input type="checkbox"/> Yiddish | <input type="checkbox"/> Hebrew | <input type="checkbox"/> German | <input type="checkbox"/> French |
| <input type="checkbox"/> Czech | <input type="checkbox"/> Hungarian | <input type="checkbox"/> Italian | <input type="checkbox"/> Polish | |
| <input type="checkbox"/> Portuguese | <input type="checkbox"/> Romanian | <input type="checkbox"/> Russian | <input type="checkbox"/> Spanish | |

PLEASE NOTE THAT THE INFORMATION KIT INCLUDES A LARGE TYPE COPY OF THE LIST OF DORMANT ACCOUNTS.

SWISS BANKERS ASSOCIATION

Account Holder Names

Aalberts, R. Joh., London, GB
Acar, Imdat, Jona, CH
Acquadro, Joseph and Henri, I
Adair, Ms, New York, USA
Adam, Herbert, Wiesbaden, D
Adleic, Jura, Ljubljana, SLO
Adler, Clara, Győr, H
Agahien, David, Paris, F
Agence Luxembourg Tour, F
Agnew-Marriage-Shifting, GB
Agop Hatcherian, Grasse, F
Ahrendt, Henri Hermann Georges, Ajaccio, F
Aisenstadt, Aha, CDN
Aismann, Joe, Bucharest, RO
Akopian, Simon, Vienna, A
Ald, Olimpio, I
Alexandrescu, Titus, Bucharest, RO
Alibaur, Henri, Lyons, F
Alimanesianu, Virgil, Bucharest, RO
Allaerts, H.R. Brugge, B
Allard, Elisabeth, F
Almonino Baroni, E
Alonso-Garcia, Valentin, E
Alsaac Editions, F
Alstetter, George, Vienna, A
Altenloh, Erich, Berlin-Wilmersdorf, D
Altenloh, Richard, Bad Godesberg
am Rhein, D
Altschul, Walter F., London, GB
Amandruz, F
Amard, Georges Louis, Paris, F
Ambrise, Pierre, Nancy, F
Amerhauser GmbH, Salzburg, A
Ammann, Johann, USA
Ammann, Dr., H.L., New York, USA
Amrein, Ludwig, Rheinfelden, D
Amser, André, F
Andauer, Pierre and Betty, Benfeld, F
Andauer, Prosper, F
André, Paul and Marie and Gilbert, F
Angeloff, Dr., Stephan, Sofia, BG
Angles, Robert
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Antonades, Euphemie, GR
Anzle, Hugo, Schaaf, FL
Arbeiter Krankenkassen, Verein,
Rheinfelden, D
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Arioli, Paolo, Abbiategrasso, Milan, I
Arlen, Louis, Montbéliard, F
Arlen, Marie, Montbéliard, F
Armand, Roger, Paris, F
Arnheim, Dr. Rudolf, London, GB
Arnold, Charles, Dirschweiler, F
Arnold, Ida, D
Arnoux, Jean and Marguerite, Soisy-S-
Montmorancy, F
Aronow, Gillel, Wildau, D
Arthaud, Benjamin and M. Th., Grenoble, F
Asaka, Mitsuru, Vienna, A
Asanowski, Asan, Struga S.R.M. MK
Aslan Nessim, Inssim
Aslangul, G. Mr., Paris, F
Asmis, Dr. Rudolf, Wiesbaden, D
Auburger, F
Aubron-Guerrin, Odette, Paris, F
Aubert, Jean Marcel and Claire, Nice, F
Auge, Juan
Augusto, Maria, Rorschach, CH
Auschlager, Paul
Axelrod, Emma Ernestine, Vienna, A
Aynen, Ruzh, Lorrach, D
Bacchetta, Adolfo, Port Said, ET
Bachmann, A.H., Liébon, P
Bachrach, Wilhelm, Zurich, CH
Bachschmidt, Alfred, F
Baei, Theresia, Höflich bei Fehring, A
Bailey, Max, F
Baldensperger, Auguste and Madeleine,
Mulhouse, F
Ballif, Henri, Tour, F
Balog, Jacques, Vienna, A
Balthasar, Waldemar, Shanghai, China
Balt India Rubber Company Quadrat,
Ruga, LT
Baltzinger, Frédéric and Maria, Steinbourg, F
Baptault, André and Anne-Marie, Chalon Sur
Saône, F
Bär, Ernesto
Baranger, Jacques, Le Mont, F
Baranski, M.C., Oceanside, CA, USA
Barb, André Louis, Paris, F
Barbisin, Ortelio, Goldach, CH
Baron, Albert, Lille, F
Barrios Y Aparicio De Alcala Galiano, Maria,
Madrid, E
Barth, Anna, New Milford, USA
Bartos, Ladislav, Budapest, H
Bartschi, Walter, Barcelona, E
Barut, M-T and Léon, Paris, F
Bas Dr. Otokar and Berka, Prague, CZ
Baselli Dr., Ant. Gorizia, I
Basin, Antoinette, RI
Bassaget, Augusta, Marseille, F
Basso, Y. Olivier, Ints, Barcelona, E
Baud, Hyacinthe, F
Baudou, Pierre, Saint-Erme, F
Bauer, Theresa W.C., Denver, USA
Bauer, Willi, Thüringen, D
Bauer & Co., Constance, D
Baumann, Georg, Constance, D
Baumann, René, Hegenheim, F
Baur, Melame, Wittelsheim, F
Bavinchova Van, Pierre Adrien and Désirée,
Paris, F
Beaucarnot, Marcel and René, Paris, F
Becher, Luise, Gera, D
Becker, Dr. Erich, Naumburg, D
Beer, Frédéric, Brunsdt, F
Beger, Mathilde, Constance, D
Belajewskaja, Natalie, Bordeaux, F
Belisha, Maurice, F
Bellejame De Joseph and Yvonne, F
Bellion, Madeline, Paris, F
Beneck, Yvonne
Benes, Otto and Ida, Intz, Hradec, CZ
Beppo, Selsuya, J
Bérard, Henri, Vevey, CH
Bereciartua Y Benedicto De Luis, E
Bergel, Egon, Vienna, A
Bergel, William, D
Bergel, William, Dresden, D
Bergès, Paul, Nice, F
Berkeley-Calcott, A. Mr., London, GB
Berlinger, Elisabeth, Dornbirn, A
Berlitz, Olga, A
Berlitz, Valeria, D
Bernard, Pierre, Irkutsk, RUS
Bernett, Heinrich, Holland, NL
Bernier, Georges Marie, Geneva, CH
Bernier, Josephine, Grenoble, F
Bernis Comas, Alberto, Paris, F
Berolzheimer, Herta, Nice / Vienna, F I A
Berzelaya, Maria, E
Berry, Carl, Frankfurt, D
Berta, Gabriel
Berthold, Paul, Sydney, AUS
Berthold, Erich, Engelberg, CH
Bethusy-Huc, Albrecht and Anastasia, CH

Berzani, Erifili, Marseille, F
Bezirksparkasse Gdingen, Galligen, D
Bhusch, M., Rheinfelden, D
Bianchi, Umberto, Geneva, CH
Bienger, Ernie, Rheinfelden, D
Bikela, Dimitri, Paris, F
Billing, Henriette, Trieste, I
Bilteyst, Jacques-Jean, CH
Binder, Fredo, Belgrade, HR
Birkel, Gustave, Colmar, F
Bitterlin, Jules André and Louise, Nice, F
Blackmer, Kaja Andrea Karoline, Geneva, CH
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Blanc, Marcel M., MC
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Blank Dr. August, Leverkusen, D
Blatter, Lucie, Bucharest, RO
Blech, Charles Emile, Paris, F
Bliznecoff, Nicolas M., I
Bloch, Albert, Mulhouse, F
Bloch, Lea, Zurich, CH
Bloch, René, Paris / Strasbourg, F
Blum, Otto, Hoechst, H
Blumfeld, Meissner, Olga, Nice, F
Bock, Wolfgang, Bad Homburg, D
Bodenehr, Adolph Albert, London, GB
Bodenheim Dr. Herbert, New York, USA
Bodenmann, Giovanni and Josephine, Rome, I
Boer De Dr. Alexis, Budapest, H
Boeris, Werner, Bretford, F
Boeswillwald, Noém, Le Havre, F
Bogdan, Cedo, St Gallen, CH
Bogdanowski, David, Berlin, D
Böhlen, Alfred, PA
Böhne, Kaare H., Oslo, N
Boissomade, Max, F
Bonnardel, Georges-Christian, Paris, F
Boral, Stanislaw, Warsaw, PL
Bordas Vidal, Antonio and Salvador,
Barcelona, E
Borgeaud, Denise, Paris, F
Borelli, Maria, Zuerich, CH
Bosch, Adolf, London, GB
Boskovic, Alice and W. Zürich, CH
Bos, Hugo, Uetzingen, D
Bossard, Marcello, Rome, I
Bossard, Louis Jakob, Erlbach, CH
Bottema, Marie, Monte Carlo, MC
Boucher, Céline, Dordelle, F
Boucheras, Jules-Joseph
Boullaire, Robert, Paris, F
Bourdai, Francois-Fernand, Paris, F
Bousquet, Henri, Paris, F
Bouza, Jose, Rapperswil, CH
Boyer, Carmen, Paris, F
Brack, Elise, Karsau, D
Braegger, Joseph Heinrich, Vienna, USA
Brahms, Ernst, Hamburg, D
Brand, Julius, Bucharest, RO
Brauer, Lina, Nice, F
Braun, Athens, GR
Braun, Lina, Schillingheim, F
Braunel, Walter E., New York, USA
Braunwald, Jean, Schillingheim, F
Bredow, Edith M.O., Bonn, D
Bretel, Edgar, Sersetal, F
Bremder, Gaston, Mulhouse, F
Brest-Dufour, Raymonde and Jeanne, Rueil,
Malmaison, F
Brewster, Elisabeth Imogen, Firenze, I
Breyer, Georges and Jeanne, Paris, F
Briand, Jacques Pierre Victor, Paris, F
Bricmann, Christ, Brussels, B
Briset, Paul and Juliette, Paris, F
Broca, Jean, Megève, F
Broch, Laura, USA
Brockhaus F.A., Leipzig, D
Brodr, Isidor, Vienna, A
Brodzky, H-Jakob, Hohenbuchen, D
Brolis, Antoma, Bergamo, I
Brubaker, Robert S., CH
Brückner, Leonard, Zirmdorf, D
Brun, Robert, Bratislava, SK
Brumel, Elise, Nîmes, F
Brunner, Luise, Vienna, A
Brustein, Ch. Ms., Mulhouse, F
Brylunska, Madeline, Hericourt, F
Büchi, Elise Louise, CH
Buehler, Edith, Dornbirn, A
Buerg, Ernest, Berlin, D
Bullough, John Martin, Halsall / Oriskany,
Lanc, GB
Bünzli, Richard, Buenos Aires, RA
Burchardt, Friedrich, Moscow, RUS
Burdin, Henri, Besancon, F
Buresch, Karl Maria, Feldkirch, A
Buschmann, Paul, Leipzig, D
Cabiglio Dr. Bernardo and Elise, Trieste, I
Caetani Di Bassiano, Marguerite, I
Cairol, Giovanni, Schwyz, CH
Cakic, Uros, YU
Calafell Y Adroer, Ana and Ignacio and
Jose O., E
Calderon, Francisco, Madrid, E
Caracciola Di Brienza, Berchen-Ste Agathe, F
Carey, Amy, London, GB
Carmen Societate Anonima Romana Pentru
Transporturi Int.Milime, Bucuresti, BG
Carmi, Elisabeth, Jona, CH
Carmois, Jesus Manuel, Scherikon, CH
Carnot, Jean
Carraud, Paul, Neuilly-sur-Seine, F
Carrel, Maria, CDN
Carrel, Marius, CDN
Carnier, Antonin and Clotilde, Lyons, F
Carter Co. S.A., Rome, I
Cascardi, Francesco, I
Catenazzi, Raphael, Loza, I
Cattaneo Dr. Bregnano-Milanese, I
Caubet, Renée and Louise, Paris, F
Cermik, Dr. Boerivoj, SK
Chalbat Y Errazquin, Manuel,
St. Jean De Luz, F
Chamayou, Léon and Thérèse and Antoinette,
Toulouse, F
Chambre, Jeanne, Paris, F
Chamélet, Jeanne, Montréal, CDN
Chaput, Michel, Grenoble, F
Charassouchin, Aron Henri Arkady, Stob, A
Chastel, Germaine, Paris, F
Chaudey, Alfred and Anne and Pierre,
St Albans, F
Chavania, Maurice, Chalon Sur Saône, F
Cheize-Alby, Wanda, Ruhla, D
Chize, Marie, Livorno, I
Christofyanaki, Iphigene, Athens, GR
Ciampi, Angelo, I
Cibul, Ernestine, Grasse, F
Clapes Bauer, Julia, Barcelona, E
Cohnstaedt, Hans Jakob, Chicago, USA
Cohnstaedt, Ludwig and Rosa, Frankfurt, D
Cohnstaedt, Wilhelm
Colin, Eugénie, Vincennes, F
Colls, Yves-Jacques
Commerce Universel Esblil, Schaaf, FL
Conceicao, Salvador, Paris, F
Connor, Elsa, London, GB
Conrad, Carla Valérie Lilli, F
Constans, Paul, Cognin, F
Constantinesco, Lydia, Bucharest, RO
Constantinesco, Maria, Bucharest, RO
Constantinescu, Nicolae N., Bucharest, RO

Cossier, Jacques and Pierre, Amiens, F
Courrial, Eugénie, Valence, F
Courth, Rudolf, Frankfurt-Nieder,
Erlenbach, D
Coutils, Louis, Shanghai, China
Couturier, L., Paris, F
Cozon, Edouard, Lyons, F
Cozon, Jane, Lyons, F
Crepelle, André and Georges, Paris, F
Cresat, Jean and Madeleine, Paris, F
Cretien, O and G., Bruseis, B
Cretn, Robert Aristide, Bois D'Amont, F
Cretius, O and G
Crnadak, Milivoj, Zagreb, HR
Crosel, Helene, Milan, I
Cruz, Antonia Heerbrugg, CH
Curé De La Metropole, Chambéry, F
Cymbalish, Elsa, Jerusalem, IL
Cyprien-Fabre, Marcel and Lucienne,
Marseille, F
Czerkason, Pawel, Warsaw, PL
Czychi, Eberhard, Dueseldorf, D
D'Amphemet, Michel, Pleyben, F
d'Andigne and De Langle Marquise Olivier,
Paris, F
D'Armagnac, Marguerite Marie, Paris, F
d'Arnaud De Pouydragum, Louis Marie,
Gaston and Jean Marie Arnaud, Paris, F
D'orville, Renée, Paris, F
Dall, Jürgen
Dalle Dr., Rafael Bickel, PL
Danes, Arthur, Prague, CZ
Darlé, Madeleine, F
Darragh John, Belfast, IRL
Dasserezel Marie, Nice, F
Daubron, Henri, Paris, F
De Acevedo, Maria Adela, Buenos Aires, RA
De Bardi Baronesse Adelgonde De
Bourbon, CH
De Bellecize, Georges, Paris, F
De Bertrand De Vaulx, Vaucluse, Thérèse, F
De Brien Du Léard, Guillemette Pleyben, F
De Blouay M.A., Marrakesh, MA
De Bondeli, Albert
De Bony Des Eglars, Leon and
Marie-Louise, F
De Chasseloup-Laubat, Louis and Marie
Louise, Paris, F
De Chateaufort, North-aria, Bovenend, D
De Chavagnac Comte, Xavier, Moulins, F
De Chomel, Félix, Marseille, F
De Constantini, Franklin
De Crescenzo, Carlo
De Dorlodot Baron, Albert and Charles,
Florence, F
De Escoriaza Y Aurrecochea, Vinda De
Remes, Maria Joaquina and Ines, Nemesa,
San Sebastian, E
De France, Henri, St. Chamond, F
De Galindez, Maude, Paris, F
De Glatigny, Comtesse Josselin, and L.,
Paris, F
De Gourea, Nabuco
De Guggen, Giuseppe, Genova, I
De Guichen-Vallard, Comtesse, Paris, F
De Jannez, Bertrand, Paris, F
De Jong Zigg, F
De La Rochefoucauld, Marguerite, Plessis, F
De La Sablière, Marguerite Marie Anna
Louise, Benodet, F
De La Tour Maubourg, Anne Louise Marie,
Paris, F
De Lafont La Marquise, Charlotte, F
De Luppe De Cose Brissac Vicomtesse,
Anne Marie Mathilde Françoise, Arles, F
De Maillard, Pierre and Jean and Marie
Caroline, St. Loup, F
De Malet Comtesse De Tanouarn, Madelaine
Marie Pauline, F
De Marigny, Paris, F
De Martinez, Maria, Cuarenta Panegas, E
De Mates De Nicolau, Lusa, Barcelona, E
De Menthon, Franc, Bernard Marguerite
Marie, Nancy, F
De Montely, Helene, Paris, F
De Namuroy Jean, Nice, F
De Palma, Raffaele, Milan, I
De Poteslad, Maria Eugenia
De Rodat, Adrien and Fide and Guy,
Olemp, par Rivez, F
De Rougemont, René, Paris, F
De Saint-Marc, Henri and Andrée,
Fondacrol par Calvat, F
De Salgnac Felon, Hélion and Jean, Paris, F
de Sayre, Olivier, Shanghai, China
De Talhouet, Comte and Comtesse Alam, F
De Tanfani Di Montalto, Emilia, CH
De Vaufréland Vicomte, Louis
De Villiers De La Noue, Jean, Paris, F
De Vogue, Jean, Paris, F
De Vullith, Douschan Pierre Paul and
Antoinette and Vladimir Antoine, Paris, F
De Ybarra Y Lasso De La Vega, José Maria
De Zubiria Y Gamica, Carmen, Bilbao, E
Decides Dile Rousselot, Jeanne, Paris, F
Defferres, Georges Joseph and Hortense
Jeanne Ghislaine, Marquise par Raisons
Sur Matz, F
Déjeant, Paule, Montpellier, F
Del Solar Y Masmire, Amparo, E
Delaplace, Fernand and Eugene, Paris, F
Delcayre, Maurice-Albert and Roge and
Marie-Louise, F
Delagation Du Japon, CH
Delostre, Lucien, Lille, F
Dellavador, Angelo, Triceno, I
Dementieff, N., Yuzovsk
Dennner, Werner, Cologne, D
Dengler Dr. Daisy, Speyer am Rhein, D
Denis, Louise
Dennery, Emilie, Winnipeg, CDN
Denzler, S., London, GB
Deroux, Edgar and Marie, Thonon-
Les-Bains, F
Desbrière, Laure, Marseille, F
Despin, Jean, Bordeaux, F
Deby, Karl Friedrich, Budapest, H
Deutsch, Stefan B., Veszprem, H
Dezi, Albert, RQI
Diebold, Klaus, Aalen, D
Diedrichs, German, Buenos Aires, RA
Dietrich, Paul
Diez, Bernharde, Constance, D
Dignelle, Valerie, Liège, B
Dinkel, Alfred
Dittmar, Alfred, Leipzig, D
Dittmar Dr. Eugen and Marie, Bad
Kissingen, D
Dobrovic, Georges, Paris, F
Donat, Joseph, Fontaine-sur-Saône, F
Donner, Johannes and Jans, Riga, LT
Dorogens, Gottfried and Margarete,
Cologne-Villes, D
Dourmes, Pierre and Jacques
Drach, Josefina, Vienna, A
Dräher, Johann, H
Dray, Leon, Monte-Carlo, MC
Drechsler, Kurt, Bergamo, I
Dreyfus, André B., Paris, F
Dreyfus, Silvain and André, Baie, CH
Dreyfus, Sylvain, New York, USA
Dreyschall, Elfride, Germolde am Harz, D
Driech, Emilio, I
Droin, Marie Amélie and Georges, Paris, F

Di. Stickstoff-Handelsges. Krauch & Co.
Shanghai, China
Du Chalard, Amelie, Le Chalard par
Bujaleuf, F
Du Temple Comte De Rougemont, Godefroy
Charles, F
Dubler, H. E
Dubois De Henry Marie, F
Dubosson, Marie, New York, USA
Dubrenil, Emmanuel & Cécile, Evry, F
Duchosal, Louis Blaise, Bourg Vaux en
Sallaz, F
Dumez, Umit
Duez, Eve, F
Dufourcq-Lagelouse, Lucien et Marie-Rose,
Paris, F
Dujardin, Raymond et Madeleine, Ersoy, F
Duleep Singh, Catherine (Princess),
Penn, Bucks, GB
Dumas, Gilbert, Lyons, F
Dupré, Albert, Romilly s/Seine Aubie, F
Dupré, Lucien, F
Dupuy, René Gaston Auguste, Paris, F
Durand, Berthe, Paris, F
Durning, Ernst, Heerbrugg, CH
Duschütz, Katharina, Vienna, A
Duskes, Alfred, Monte Carlo, MC
Eber Dr., Albert et Jessie M., Stuttgart, D
Eberspächer, Maria, Vienna, A
Eblin Dr., Paul et Alice, Strasbourg, F
Eckert, R., USA
Eder, Elise, A
Eder, Hans, CH
Ehman, Constantin, Bucharest, RO
Eggers, Hietta Henriette, Berlin, D
Egger, Konrad, Göttingen, D
Ehrhardt, Karl Louise, Göttingen, D
Ehrmann, Willy and Flora, Antwerp, GB
Eugens, Franz, Heidenreichstein, A
Eisenstadt, Felix, Skole-Groedlow
Eismann, Karl, Constance, F
Eiser, Edith, BR
El Babadi, Johanna, Feldkirch, A
El-Khayat Dr., Mohamed Rashad, Vienna, A
Elkofe
Elkann, Judith, Montbéliard, F
Eller, Alois, Langgäu, F
Emine, H., Teheran, IR
Enescu, Fred., Dr. Jon, Jessy, RO
Engel, Camille et Marie-Augusta,
Raon-Elape, F
Engelson, Liba, Riga, LT
Enkel, Hermann, Berlin, USA
Enesa, Gilbert, José, Geneva, CH
Epa Europäische Patentanstalt, Schaaf, FL
Eppinger, Hans und Georgine, Vienna, A
Eras, Carlos, St. Gallen, CH
Erikson, Oscar, Paris, F
Ernst, Gertrude, Vienna, A
Ernst Dr., Lucy H., Zurich, CH
Escarriaza E. Jpina, Antonio, E
Eser, Hermann, Munich, D
Etablissements John Kinsmen S.A.R.L., F
Europäische Marketing, Schaaf, FL
Fabrica De Spirit Jacques Brunner Sucofari
Josef Hemmerle & Co., Baccu, RO
Fantuzzi, Crutien, Paris, F
Feder Dr., Alfred, Wroclaw, D
Feenders Dr., Hugo, Emden
Fefenberg, Salomon, Warsaw, PL
Fehlmann, Jean, Mulhouse, F
Fehninger, Helmut, D
Feigl, Rudolf, Vienna, A
Feinberg, Charles Emil, San Francisco, USA
Feldstein, Clara and Avram, Bucharest, RO
Fenner, Peter et Marianne et Patric,
Venezuela, YV
Fernandez, Fernando Escalante, Madrid, E
Ferreira, Marie Valentine et Marguerite
Maria und Maurice Guillaume, Algiers, DZ
Festa, Nicola, Cairo, ET
Fetz, Edwin, Lustenau, A
Ficacci Dr., Luigi et Irene, Rome, I
Ficarra, Filippa, Rorschach, CH
Filiol, Marcel and Marguerite, Paris, F
Finaz, Madeleine, Paris, F
Fischer, Emma, CH
Fischer, Hermann, USA
Fischer, J. M., MEX
Fischer, Marie, Mulhouse, F
Fischer, Marie H., Alexandria, ET
Fischer, Robert, Paris, F
Fischer Dr., Max, Stuttgart, D
Fischmann, Norbert, Munich, D
Fitzel, Tusi, Vienna, A
Flach, Pauline et Georges, F
Flachfeld, Jeanne-Fanny, Neuilly s/Seine, F
Fleischmann, Paul, New York, USA
Foa, Marco and Hélène, Rome, I
Foch, Marguerite, Paris, F
Fock, Nadine
Foster, Boris, London, GB
Fossard, Albert, Paris, F
Fournel Dr., Fritz, Ludwigburg, D
Franc, Lucien Antoine et Denise Marie
Marcelle, F
Frank, Helmut, Balingen, D
Frank Dr., Michael, Belgrade, YU
Frank, Doris and Dagmar
Frankel, Karl, I., Amsterdam, NL
Fraternale, Pietro, Monrovia, LI
Freire Ferrer, Eugenio, Barcelona, E
Frelon, Madeleine, Nice, F
Frey, Francesco, Florence, I
Friedel, Anna, Masevaux, F
Friedel, Auguste, Cernay, F
Friedman, Rejla, Lodz, PL
Frigge, Ottilie, D
Frlag, Albrecht, Schramberg, D
Froehlich, Otto, Zagreb, HR
Frühe, Gertrud, Nollingen, D
Fuchs, Elsa, Bad Schandau, D
Furland, Maxime, F
Fürst, Fritz, Brenz, CZ
Gadgobowsky, Alexander, Wiesbaden, D
Galland, Paul, F
Galan, Maria, Rorschach, CH
Galcice, Albert, Albert-Les-Bains, F
Galcice, Jean Marie Eugène et Frédérique,
Evans-Les-Bains, F
Galmek, J. M., Szatymboly, PL
Gall, Louis, La Roche Condon, F
Gall, Robert, La Roche Condon, F
Galli, Franz and Paula, Caransebes, RO
Galli, Simone, Blesgagny, I
Galliot, Henri et Hélène, Besançon, F
Gamarra, César, E
Ganahl, Clemens, Feldkirch, A
Gang, Robert, Singen, D
Gang, Rosa, Hinterzarten, D
Ganshof Van Der Meersch, Georges and
Marie-Thérèse, Brussels, B
Garcia, Juan, Rorschach, CH
Garcia Maria-Luisa, Rorschach, CH
Garcie, Hugue-Madeleine-Marie-Annelie
Garcie, Max
Garcie, Pierre, Agen, F
Garsart, Jean Claude
Gasser, Marie, Soultz, F
Gather, Herbert, Mettmann, D

Gauchet, Louis et Blanche Joséphine, Paris, F
Gautier, Madeleine, Calais, F
Gazois, Alessandro, San Remo, I
Geier Bruno, Asosa, I
Geissbühler, Ernst, Brunsel, B
Gemuseus, Hans R., Genoa, I
General Chartering, Schaaf, FL
Geoffroy, Philippine, Aleppo, SYR
George, M.R., Washington D.C., USA
Georgescu, Elena, Ploesti, RO
Georgescu, Elena G., Ploesti, RO
Georgi, Rudolf et Marie Thérèse et Carl
and René, Berlin-Zehlendorf, D
Geraerts, H M L, Cl Hapert, NL
Gerhard, August, Strasbourg, F
Gerhard, Wolf, Harbin, GB
Gerodetti, Hanna, Luino, I
Gerold, Lucien, Levallois-Perret, F
Gersbach, Hermann, Wyhlen, D
Gerslin, Albénique, Paris, F
Geyer, Wilhelm, Jura, Augsburg, RO
Gheorghiu, Mihai, Bucharest, RO
Ghio, Ulderico, Bogorascio, I
Gimeno, José, Gari, E
Girani, Louise, Paris, F
Giro, Paul Emil et Louise, Ancerville, F
Gisinger, Hildegard, Hohenems, A
Glücksthal, Ludwig, Budapest, H
Godet, René et Jeanne, St. Adresse, F
Goetz, Jonathan et Maria, Strasbourg, F
Goetz, Walter, London, GB
Gohm, Heinz, A
Goldman, Barney, USA
Goldstein, Berak, Warsaw, PL
Goldstein Dr., Oscar, Voloska, HR
Goleminoff, Alexander, CH
Gollmayr, Rosemarie, Lustenau, A
Gomez, Juan Jimenez, Madrid, E
Gonnet, Louis et Jeanne, Lyons, F
Gonzalez, Angeles, Rorschach, CH
Gonzalez, Lasa, Maria, E
Gorbatsch, Maria
Gordon, Frank W., USA
Gottwald, Georg, CH
Gourdon, Charles, St-Mandé, F
Gourdon, Jeanne, St-Mandé, F
Gowdy, Willard, Pearisburg Va, USA
Goy, Germaine, Paris, F
Grasel, Rudolphina, Vienna, A
Grasert, Marie, Montpelier, F
Greffner, Ferdinand, Berlin, D
Gring, L.L., London, GB
Grise, Leopold, Lodz, PL
Grigorian Dr., Corneliu, Bucharest, RO
Grisel, Prosper et Madeleine, Neuilly, F
Grivart De Kerzart, Paris, F
Grossart, Otto, Riga, LT
Grosselin, Joseph et Jeanne-Madeleine,
St-Germain-en-Laye, F
Grossmann, Rudolf and L. and Charles Jean
Rodolphe, Austin, Texas, USA
Grosz, Armand, Paris, F
Grube, Hermann, Dantzig / Gdansk, PL
Grühne, Max, Oberbayern, D
Grünfeld, Else, Nice, F
Grüniger, Günther Peter, Stuttgart-
Rohracker, D
Gsell, Peter Josef, Kempten/Allgäu, D
Guanza Sanchez, José, E
Guarise, Anna, St. Gallen, CH
Gubisch, Waldemar, Berlin, D
Guebeli, Eugen, Marzetta, USA
Guebeli, Joseph Friedrich, North, USA
Guebschow, Clara, D
Guggenberger, Fritz, RO
Guichard, Antoine, F
Guillot, René
Guillaume, Claire, F
Guilleminot, Hélène, Paris, F
Guilla, Jules Louis and André, Paris, F
Guillot, Gabrie
Guinebeau, Francisque, Vienna, A
Günther, Mundhenk, Hameln, D
Gut, Theo, F
Guth, H., Cairo, ET
Gutierrez, Salinas Francisco, Mels, CH
Gutman, Josef, A
Guymer, Julie, Paris, F
György, Alexis et Renée, Paris, F
Haag, George, Paris, F
Haag, Julius, Vienna, A
Haag, Marie Albertine, Ingwiller, F
Hachette, Bernard, Paris, F
Haggi, Jakob, F
Hahn, Anton and Paula, Offenbach, D
Hain, Blanca, Vienna, A
Hainque De Saint-Seno, Hubert, Paris, F
Haff, Robert and Andrée et Bertrand and
Bruno and Liliane et Marie Claire, Paris, F
Haffin, Leib, Bucharest, RO
Haller, Marie, Le Matrat St-Averbiu, F
Hanau Fürstin, Marie Thérèse, Vienna, A
Hanauer, Samson, USA
Hansa, Ernst, D
Hart, Edgar
Hartmann, Dr. Jost
Hauke, Gertrude, New York, USA
Haupt, Adolf, Svilavy, CZ
Havilio, Saul, Buenos Aires, RA
Hebertot, Jacques, Paris, F
Heck, Rudolf, Rheinholden, D
Heine, Erich and Rosa, Vienna, A
Heger, Horst Peter, Vienna, A
Heidelbauer, Babetta et Amalia,
Hohenegg, D
Heidenreich, Hans und Wilma
Heintzmann & Djemel Soc. Pour Construc-
tions, Teheran, IR
Heinze-Linders, Alb et Mathilde,
Wiesbaden, D
Held, Hans, Pretzfeld, D
Heldwein, Johann, Uffing, D
Heller, Joseph, Decm-Podomokly, CZ
Helmreich, Georg, Würzburg, D
Hemmeter, Amidou Jules, Schiltigheim, F
Henkel Dr., H., Paris, F
Henningsen, Josephine Marie et Hennie et
Jean David, Hagenau, F
Henry, Cyril Bowdler et Dorothy Mildred,
London, GB
Hemisch, Karl H., Berlin, D
Hermannskötter, Allg. Sp., Bravos, RO
Herold, Sophia et Waldemar, E
Hertmann, Kurt, Leipzig, D
Herter, Hedwig, Abondio
Herz, Susanne Beate, Zurich, CH
Herzog, W.A., Dresden, D
Herzog, Prof. Dr., Hans, Berlin, D
Hess, Thomas
Heymann, Anna, Dresden, D
Heymann, Ernst, Frankfurt, D
Hildebrandt, Karl Georg, Oberkautungen
Lukasek, D
Hilditch, Susan, Le Sentier, CH
Hillemeier, René et Ernst, Mulhouse, F
Hiller, Hans, Constance, F
Hirsch, Bertha, Frankfurt, D
Hirsch, Marie, Buenos Aires, RA
Hirtz, Theophile, Mulhouse, F
Hiss, Alois, Rheinholden-Begggen, D
Hixson, Marie, I
Hocke, Walter, Grossrosseln, D
Hodgskin, T. Ellet et Mathilde C., I

Hodler, Hans Peter, Cuernas, F
Hochstetter, Louis, Brumath, F
Hof, Eduard, CH
Hofbauer, Erich, Maria Enzersdorf, A
Hofmann, Alfred, Duisburg, D
Hofmann, Eugénie, Vienna, A
Hofner, De Kowalski, Joseph
Holzer, Eduard, Davos, CH
Holl, Charles, F
Hollas, Helmut G., Prague-Bubenec, CZ
Homburger, P. Lima, RA
Hoomeman, Hanneke, Rorschach, CH
Hopp, Erna, Düren, D
Horn, Richard, Vienna, A
Hornain, Denise, Lille, F
Horvath Dr., Gabriel, Budapest, H
Hornviller, Simone Brumette, F
Horvitz, Hilary, ZA
Horvitz, Marie, Vienna, A
Houdelle, Léon Charles et Jean René,
Paris, F
Hrynioak, Michaela, Bern, CH
Huart Y Benli, Ana
Hubert, Josp and Luni
Hudry, Frères, F
Hunger, Leo, Paris, F
Hutt Dr., Charles, Colmar, F
Iglauer, Stefan, Zagreb, YU
Ikeda, Haruo, J
Illovy, Gustav and Ota, Prague, CZ
Imbert, Paul et Pierre, Paris, F
Imprimerie De La Lettre Enveloppe, Paris, F
Indig, Dr. E.
Iniguez De Montoya, Maria Victoria,
San Sebastian, E
Ionescu, Uline and Sofia, Bucharest, RO
Isphording Dr., Franz, Buschir
Ito, Kazuo, J
Izaki, Paul, Riga, LT
Iwanicki, Stanislaw, Warsaw, PL
Izaguirre Y Zuazo, Piedad, E
Jacquinet, Pierre et Marguerite
Jaffary, Charlotte Jeanne et Jeanne Eléonore,
Toulouse, F
Jaggi, Johann, USA
Jakimoff, L., RUS
Jakimoff, Léonide, Kiev
Jakovic, Anita, St. Gallen, CH
James, George William Carr, Anglet, F
Jannet, Norbert, Domaine De Bertaud, F
Jannex
Japy, Edgar, Paris, F
Japy, Fernand and Albert, Beaumont-Bellort, F
Jaris, Millicent, Poynterspotridge, GB
Jasz, H., Bucharest, RO
Jasz, Helene, Giromagny, F
Jaumandru Y Puig, Eugenio, Barcelona, E
Jauneaud, Marcel, Metz, F
Jeger, Peter, USA
Jegli, Fritz, D
Jenner von, Temperley - Buenos
Aires, RA
Jimenez, Armau, RO
Jimenez Y Rosado, José, E
Job, Paula, Milan, I
Jochum, Mathias, Augsburg, D
Joel, John, Oron, DZ
Johnson, Georgia M., Emeryville, USA
Jones, Cyril R., Istanbul, TR
Jordan, F.W., Wald b/Solingen, D
Jouet-Pastre, Frédéric, Paris, F
Juchert, Luise, Berlin, D
Jucker, Hans, CH
Judet De La Combe, Albert
Jula, Giuseppe, Rorschach, CH
Jung, Emilie, Schiltigheim, F
Jungmans, C.W., Berlin, D
Juricko, Matilda, St. Gallen, CH
Just Dr., Karl, Szczecin, PL
Kahn, Louis, Paris, F
Kaiser Prof., Margret, Berlin, D
Kallenbach, Carl, Constance, D
Kammer, Christian
Kammer Brüder Textilindustrie Ag,
Budapest, H
Kammerer, Emma, Malmö / Karlsrue,
S D
Kampmann, Ernest, Strasbourg, F
Kampmann, François, Strasbourg, F
Kampmann, Susanne, Berlin, D
Kanayama, Masahide, J
Kappeler, Emil and Laura, Lübeck, D
Karaniwch, Fedko, Vienna, A
Karner, Anton, Copenhagen, DK
Karrer, Olga, Vicozza, I
Kasapyan, Araks, Istanbul, TR
Katz, Pauline et Berthold et Renaud and
André et Jean-Claude et Pierre et
Marianne, Paris, F
Levy, Clara, Dantzig / Gdansk
Lewin, Max, Zurich, CH
Lewy, Isak, London, GB
Lichtenstern, Max, Zagreb, HR
Lindauer, J., Paris, F
Lindenberg, Luise, Cologne / Munich, D
Linsen, Karl, Rheinholden, D
Linter, Josef, St. Maddalena, I
Lippmann, Ernst, C
Lippe Zur, Seine Durchlaucht Prinz Hermann,
Budapest, H
Liquorini, Albert, Bucharest, RO
Llorente, Maria, I
Loerl, Heinrich, Vienna, A
Lousau, Anne Marguerite, Evry, F
Lomsky, Karl, Prague-Hodkovicky, CZ
Lorenz, Odette, Aleppo, SYR
Lottler, Alice, Stuttgart, D
Lova, Stefan, Budapest, H
Loviz-Fornio, Angela, I
Luchsinger, Enrico, Bergamo, I
Lückemann Prof., Wroclaw, D
Luib, Coloman and Irene Marie, Budapest, H
Lundgren, Guillermo Alberto, BR
Lupas, Nicolas, Bucharest, RO
Lupu, Basile, Iasi, RO
Lusenberg, Martha
Luit, Enrico, Ludesch, A
Lux, Adolf and Frieda, Constance, D
Maaschappij Voor Industriële En Financie,
Amsterdam, NL
Macé, Eberne et Odette, La Haye-Fossard, F
Macherette, Carlos, Diepoldau, CH
Macius, Silvio, CH
Mackiewicz, Zygmunt, Post Janova, LT
Madero, Hector, Rome, I
Madrenas, Jaime, Saarbrücken, D
Madurga Val, Mariano, Zaragoza, E
Magazin Universal, Chisinau, Moldavia
Magan, Amedee et Gabrielle, Marseille, F
Magnan, Raphael, Marseille, F
Magyar, Irene, Cavasina, RO
Magyar, Selma and Regine, Kaliningrad, RUS
Maier, Albert, Venice, I
Maier, August, D
Malavalle, Joseph, Marseille, F
Malin, Magnus, Feldkirch, A
Malvoit, Marie-Thérèse, Rosières en
Santerre, F
Mallot, Heinz, Cologne, D
Mamoun El-Hini, Mohamed, Berlin, D
Manasteriotti, Elindora, I
Mangelsdorff, Katharina (Kathe), Berlin, D

Krämer, Ingeborg, Reiferscheid, D
Kretzel, Albert, D
Krausz Dr., Leo, Neuilly s/Seine, F
Kress, Eleonora, D
Kretz, Rolf
Kreuter, Adolphe M., Strasbourg, F
Kriek Dr., Otto, Vienna-Reichenau, A
Kroci, Nikola I., Dugiral, HR
Kroneberg, Lucie, Yekaterinbourg, RUS
Krüger Dr., Karl, Merano, I
Krukowski Prof. Dr., W. and H., Lviv, PL
Krummenacker, Elise, London, GB
Krupica, L., Feldkirch, A
Kubler Dr., Conrad
Küderle, Fritz, Constance, D
Kuebler, Julie, Stuttgart, D
Kuhn, Louis and Augusta, Colmar, F
Kunze Dr., Aug., Rheinholden, D
Kunze, Jean and Rose, F
Kunze, Kurt, Hoescht, A
Kurfess, Emma, D
Kurmik, Ludwig, Berlin, D
Kurz, Marcelle, Paris, F
Kytzia, Josef
Labesse, Georges, St. Chamond, F
Labordère, Marcel and Jean and Marie and
Lugliet, Paris, F
Ladstätter, Peter, Paris, F
Laderich, René, Paris, F
Lagier, Georges, Johannesburg, ZA
Laharrague, Léon, Biarritz, F
Laisné, Eugénie et Claire, Paris, F
Lal, Mohit, Paris, F
Lambert, Jean, E
Lambert, Raoul
Lambert, Suzanne, Marseille, F
Lamp Dr., Karl, Innsbruck, A
Lampe + Co., St. Petersburg
Lamy, Germaine-Marie, Paris, F
Landt, Kurt, Berlin-Schöneberg, D
Landmann, Colomba, D I I
Landmann & Söhner H. Ab. Stockholm, S
Jaffary, Richard and Hedwig, Cologne-
Braunsfeld, D
Landurin, Marie, USA
Lang, Paul, Paris, F
Lange, Fritz, Milan, I
Langendörfer, Franz J. and Margot, Berlin-
Charlottenburg, D
Langensiefen, Wladimir Samien,
Richmond, CH
Lanza Filingeri, Stefano and Annala,
Palermo, I
Laporte, Marie-Louise, Meaux, F
Lardier, Hélène, Giromagny, F
Laric, Vilko, Maribor, SLO
Larochette, André, Roanne, F
Larrea Y Celoyeta, Antonio, E
Lartigue, Daniel, F
Laruelle, George-Louis et Marie et Roger,
Paris, F
Lasser, M., Bilbao, E
Lassus, Joseph, Hohenems, A
Laubacher, A., Prague, CZ
Laube, E., Zurich, CH
Laucella, Cornelio, Les Bours, CH
Laudon-Aguillon, Marie, Marseille, F
Laur, Paul, Shanghai, China
Laurent, H. and J. and S. F
Laver, Albert, Montbrun, F
Lazarevic, Todor
Lazarus-Waag, Mathieu, Lausanne, CH
Le Blanc, Robert
Le Guillou, Jeanne Marie, Nantes, F
Le Vaillant De Glatigny Vicomte, Jean De
Gibon, Paris, F
Leauté, André, F
Leauté, Henriette, F
Lebe, Gertrud, Strasbourg, F
Leblanc, Lucie, Paris, F
Leclaire, Caroline, Munster, F
Leclerc, André, Epinal, F
Ledermann, Anna Maria, Paris, F
Ledoux, Octave, F
Legoux Arsène, Pontarlier, F
Lehmann, Franz B., D
Leitner, Jaime and Maria, Lisbon, P
Lejoff, Marguerite, Buenos Aires, RA
Lencud, Henri et Bernard, Valdoie, F
Leonhardt, Jeanne, D
Lervitzky De Aglaide, Bucharest, RO
Lespabel, Brussels, B
Lessmoellmann, Thea, D
Lestang, Paul and Thérèse et Solange,
Orléans, F
Leutelt Dr., Helmut, Shenyang, China
Levi, Jeanne and Berthold et Renaud and
André et Jean-Claude et Pierre et
Marianne, Paris, F
Levy, Clara, Dantzig / Gdansk
Lewin, Max, Zurich, CH
Lewy, Isak, London, GB
Lichtenstern, Max, Zagreb, HR
Lindauer, J., Paris, F
Lindenberg, Luise, Cologne / Munich, D
Linsen, Karl, Rheinholden, D
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Lova, Stefan, Budapest, H
Loviz-Fornio, Angela, I
Luchsinger, Enrico, Bergamo, I
Lückemann Prof., Wroclaw, D
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Lupu, Basile, Iasi, RO
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Madurga Val, Mariano, Zaragoza, E
Magazin Universal, Chisinau, Moldavia
Magan, Amedee et Gabrielle, Marseille, F
Magnan, Raphael, Marseille, F
Magyar, Irene, Cavasina, RO
Magyar, Selma and Regine, Kaliningrad, RUS
Maier, Albert, Venice, I
Maier, August, D
Malavalle, Joseph, Marseille, F
Malin, Magnus, Feldkirch, A
Malvoit, Marie-Thérèse, Rosières en
Santerre, F
Mallot, Heinz, Cologne, D
Mamoun El-Hini, Mohamed, Berlin, D
Manasteriotti, Elindora, I
Mangelsdorff, Katharina (Kathe), Berlin, D

Maniere, Paul C., Quimper, F
Männerchor Eintracht, Rheinholden, D
Mansbach, Gerda, USA
Mantuer, Elsa, Vienna, A
Marchena, Comte Ernest et Comtesse
Jeanne, Paris, F
Marcu, Alessandro, Bucharest, RO
Marcuse, Julius, Brussels, B
Mark, Frank, Nalhall N.Y., USA
Martin, Alyce, GB
Martinez Sierra, Gregorio, Cuarenta
Faneas, E
Marzin, François, Croissy, F
Mase, Kintaro, I
Masson, Maurice et Eugène et Suzanne
Masson, Pierre Frédéric, Anières, CH
Masironi, Carmine, Buchs, CH
Mathelin-Moreau, René, Paris, F
Mathern, A., Artemore, F
Mathus, Kurt, Hoescht, A
Matthews, Philipp Selwyn, Heris, GB
Matthias, Moritz, Wroclaw, SK
Maure, Jean, Jours, F
Maurer, Emil, Nancy, F
Mauring, Arved, Riga, LT
Mauthner, Nelly, Paris, F
Mavrocordato, N.I., Bucharest, RO
May, Paul M., New York / Detroit, USA
May, Percy B., Devon, GB
May, René, New York, USA
Mayer, Heinrich, Kronberg / Taunus, D
Mazet, Marcel, Paris, F
Mazzoli Menotti, Giuseppe, Sofia, BG
Mazzoli Menotti Son Excellence, Joseph,
Sofia, BG
Meier, August, Paris, F
Meier, L. Sydborg, Paris, F
Meier, W., Bludenz, A
Meise, Waldemar, Rheinholden, D
Mencos Y Bernaldo De Queros, Mercedes,
Madrid, E
Mendora Y Romero De Ybarra, Maria Josefa
Mendel, Nancy, Alexandria, USA
Meneghini, Lugo, Rorschach, CH
Menghini, Françoise, Paris, F
Menten Dr., Ernestine, Warmond, NL
Mercier Du Paly Marquis De Clam,
Versailles, F
Merlan, Ida, USA
Merkan, Alfred, Berlin, D
Metzger, Eugen, New York, USA
Meyer, Christine, Strasbourg, F
Meyer, E.O., Strasbourg, F
Meyer, Erika
Meyer, Michael, USA
Meyer, Otto, New York, USA
Meyer, Paul, Rouen, F
Meyer, Paul, London, GB
Meyer, Rolf F., Baden b/Vienna, A
Meyer-Berlin, Nice, F
Meyerhof, Felix, Amsterdam, NL
Meyeringh, H.G., Peine, D
Meynial, Henry, Paris, F
Mezey, Veronika, Vienna, A
Mezière, Victorine Susanne, Nice, F
Michel, Richemond Georges and O. (Ms) and
Marguerite et Germain et Georgette,
Mulhouse, F
Michelehn Dr., Michel, I. Falcioni, RO
Michl, Danka, Vienna, A
Miedrich Dr., Franz and Elisabeth,
Duisburg, D
Mielka, Helena, Warsaw, PL
Millic Dr., Josp Sibe, Beograd, YU
Milleff Dr., Dimitri, Budapest, H
Milleron, Eugène et Marguerite, St-Aubin, F
Millet, François et Jeanne, Neuilly-
sur-Seine, F
Mincoff Dr., Nicola, Sofia, BG
Minichshofer, Ernst, Füssach, A
Mock, Elise, A
Moesle, J., St. Sauveur, F
Moghadam, Léon, Kabul, AFG
Moholy, Ladislau, Berlin Charlottenburg/
London, DGB
Moitroux, Jakob Hubert, Bruxelleskoel-
berg, B
Moll, Carl and Anna, Vienna, A
Möllinger, Josef, Bad-Krozingen, D
Moncetz, Geneviève De, Paris, F
Moncorge, Charles Roger, Roanne, F
Monget, Marie, F
Mönus Dr., Munich, D
Montel, Violetta La Baronne, Rome, I
Moos, Domunik, Bensheim a.d.B.,
Orléans, F
Moosbrugger, A., Feldkirch, A
Mora, Anacleto
Morasso, Giovanni, Genoa, I
Moreillon-Montadon, Suzanne, Paris, F
Morel De Foucaucourt, Henri, F
Moreno, Daniele, Rome, I
Morris, Elisabeth, New York, USA
Morris, Giuseppe and Franco, Bologna, I
Mosaures, Rati, Budapest, H
Moscatelli, Luigi, Puro, I
Moscona, Henry and Henriette,
Bucharest, RO
Moser, Adolf, Zurich, CH
Mosimann, Alice, Zurich, CH
Moskovic, Felix, Ljubljana, SLO
Mouliet, André, Nice, F
Mouliet, Madeleine, Nice, F
Moulin, Marie, Lyons, F
Moyat, Antonin, Chalon s/Saône, F
Mueller, Alfred, Offenbach, D
Mueller, Anna Hedwig, London, GB
Muesch, Ernest et Elisabeth, St-Marie aus
Mines, F
Muller, Alfred, Sannois, F
Müller, Carol, Bucharest, RO
Müller, Emil, Liverpool, GB
Müller, Eugen, Helsingfors, FIN
Müller, Fritz, Esslingen A. N., D
Müller, Josef, Constance, D
Müller, Karl, Berlin-Charlottenburg, D
Müller, Trude, Salzburg, A
Munch, Adolf, YU
Mundt, Gustav, Berlin, D
Munk, Klaus, Reutlingen, D
Munich, Plona V. Sestina, Debreccen, H
Nagel, Rudolf, F
Nagy, Nicolas, Budapest, H
Nagy, Ladislau
Najman, Nikola, Belgrade, YU
Natkey, Maurice, Bern, CH
Nauleau, Jacques Henri Olivier et Pauline
Marie Désirée, Angers, F
Naumann, K., Zurich, CH
Neculita Von, Demeter, Costina Judet
Suceava, RO
Neubauer, Paula, Teplice Sanovitz, CZ
Neumayer, Rudolf, Feldkirch, A
Neunath, Elfriede, Vienna, A
Neusel, Sel, Paul, Linz, A
Nica, Maria, Frankfurt, D
Nicolaou Gomez, Aníto and Alvaro and Luis
and Mathilde and Carolina and Gabriela
and Dolores, Barcelona, E
Nicolopoulos, Georges, Athens, GR
Nicolopoulos, Nico, Athens, GR
Niederkorn, Andrea, Metz, F
Nieders, Albert
Niewkner, Annie, NL

Nifenegger, Ernest
Nikolitch Pedrag, Shipley, GB
Nilsson, Ragna, Saltsjöbaden, S
Nobel Dr., Lazio, H
Noé, Helene
Noetinger, Paul and H., Nancy, F
Noguera, Clementina, Porto, P
Noguer, François and Marie-Thérèse, F
Nouradomkian, Souren
Novak, Wanka, PL
Novo-Lory (Hornet), Marie Louise Joséphine
Marville, F
Nv Nederlandsche Maatschappij
Amsterdam, NL
Oberländer, S., Melbourne, AUS
Obroshcheva, Aglaida
Ogneanoff, Savka, Sofia, BG
Ollivier, Yvonne and Avalor, Paris, F
Oliver, Jose, Rorschach, CH
Omnifinance SA, Luxembourg, L
Opelinka Dr., Helena, Sroda, PL
Oppenheim, Uwe Emil, Budapest
Oprescu, Georges, Geneva, CH
Osio De, Rosario, F
Osmán, Babiker A. Isidrah, SA
Oswald, Adolf, Rheinholden, D
Ottierin Y Huarte, Rafael
Ott, Camille, F
Ouvartoff, Catherine, Geneva, CH
Pacetti, Antonio, F
Pache, Catherine, Lyons, F
Pagniez, Madeleine et Paul, Côtas, F
Palaming De Marquis, Frédéric Marie Samue
Elmar, Castres s/Caronne, F
Palvec, Václav, Prague, CZ
Pantier Mgr., F
Pantir, Milos, CH
Papadopoulos, Konstantinos, Athens, GR
Papazian, R. and Ebrs R., Paris, F
Pardany, Eduard, Budapest, H
Pardok, Vera, Buchs, CH
Pardon, Robert, Paris, F
Pars, Louise, USA
Pariser Dr., Käthe, Berlin-Charlottenburg, D
Parson, Marguerite et Marcelle, Nancy, F
Parnann, William J., Michigan, USA
Parnegg, Hermann
Parnegg, Leopold
Paschoud, F. M
Pasikoff, Catherine, Geneva, CH
Patsky, Gisela, Buenos Aires, RA
Paul-Albert, Eugene and Marie, Paris, F
Pavloff, Hélène, Sofia, BG
Pawlicka, Jadwiga
Payen, Charles and Annette, Lyons, F
Payer, Paula, Frankfurt, D
Pelissier, Clémence, F
Perrault, Madeleine et Eugénie et Emile
Rodolphe, Marseille, F
Perrizet, Elia, Mulhouse
Perl, Rosa, Leipzig, LT
Perollaz, Albert, Bonneville, F
Persky, Martin, Berlin, D
Petcoff Dr., Petco Dobref, Sofia, BG
Peter, Friedrich, C., Paris, F
Peters, Viktoria, Bilbao, E
Pettigand, Edmond and Raymond and
Andree, Paris, F
Petrini, P. I., Paris, F
Pfiffner, Walter, Feldkirch, A
Pfister, Edmund, A
Pfleiderer, Yolanda Maria, Sao Paulo, BR
Pflotenhauer, Eleonore
Pfyffer, Georg, Paris, F
Picard, Céline, Belfort, F
Piédelèvre, Louis, Paris, F
Piek, S., Hamburg, D
Pigallé, Maurice, Besançon, F
Pillement, Georges, Paris, F
Pillz, Walter, Stuttgart, D
Pistor, Dorothea, Vienna, A
Pithois, Jean and Marguerite, F
Pitlik, Marie, CZ
Plasser, Franz, A
Plat Dr., Pierre, Châteauroux, F
Poirier, Marie-Antoinette, Bourgoin, F
Polacke, Josef
Politzer, Alejandro, RA
Pollner, Bartholomäus, Bucharest, RO
Pollak, Alexander, Belyovar, HR
Polo, Ramona, Saragoza, E
Pommery De, Jeanne
Pommery De, Joseph et Geneviève,
Dienhouart, F
Pons Carreras De Riera, Margarita, E
Popendicker, Gudrun
Popoff Dr., Nikola, Sofia, BG
Porret, Enriqueta, E
Portatius, Karl, Berlin, D
Porte, Henri and Henrie, F
Pospisil, Francesco, Turin, I
Prager, Raymond, F
Prang, Marthe, Colmar, F
Pransitz, Friedrich, Cologne, D
Pratt, Josephine, Lodi / Milan, I
Prats, Carmen, Valencia, E
Predovic A.D., Belgrade, YU
Preis, Harold, Vienna, A
Prestopina, Felice, Cairo, ET
Prodan, Christu, RO
Prodon, Anna, St. Chamond, F
Prodon, Paul, La Bruyère-Juleu, Loir, F
Provot, Georges et Germaine, Paris, F
Pruessner, Hans-Henrich, Diepoldau, CH
Pruvoit, Marianne-Alice, Sceaux, F
Pruvoit, David, D
Pugm, Albert, Paris, F
Pujol, Thomas, Nauray
Pujot, Thomas, Buenos Aires, RA
Queipo De Llano Y Fernandez, M., E
Quel, Benl, Nykobing, DK
Rabinovitz, Samuel, Bucharest, RO
Radegonda, Anne-Marie, Bois D'Amont, F
Radulescu, Ella, Bucharest, RO
Raffi Fu, Cosentino, Argentina, Trieste, I
Ralling, G.S.H., GB
Ramos Pinto Da Cunha, Otilia and Maria
Amelia Rosa and Maria Isabel and
Angelina and Christovao and Alfredo,
Villa Nova De Gaia, P
Randu, Simon, Lyons, F
Raschko, Georgi W., Razgrad, BG
Rast, Michael, Geneva, CH
Ratt, Erika, CH
Rauch, Franz, Rankweil, A
Rauch, Max, Salzburg, A
Rausch Sohn J.W., Constance, D
Ravenet, Berthe, Giorgio Maggiori, I
Ray, Joseph, Paris, F
Reber, Peter, Rheinholden, D
Reber, Wilhelm, Frankfurt a.M., D
Reu, Vincenzo, Le Senze, CH
Reinhold, Mignon
Reinke, Helene, Ueberlingen, D
Reisinger, Herbert, A
Reitler, Hubert and Helga, Hanover, D
Remanis, Julp-Theodors, Riga, LT
Remanis, Julp-Theodors, Riga, LT
Remond, Henri Edmond, Roche Sur
Regnon, F
Remond, Julie, Manois, F
Renouard, Jane and Catherine, St. Cloud, F
Reusser, Alfred, USA

Reuter, Carl, Stuttgart, D
 Rey Comtesse, Hedwige, F
 Rey Jeanne, Jeanne, Rhodod-Chevreuse
 Rhein Dr., Lucie, Strasbourg, F
 Ribeyron, Marguerite, Paris, F
 Ricca, José, Buenos Aires, RA
 Ricardo, A., CZ
 Richardson, Georges
 Richonier, Emilie Claudine, Lyons, F
 Richshoff, Frédéric, Paris, F
 Richshoff, Léonie and Frédéric,
 Strasbourg, F
 Richter, Hans, IR
 Richter, Maria
 Richter, Marie
 Richter, Theodor
 Rickmers, A., CH
 Riedel, Oskar and Frieda, Munich, D
 Riesen, Heinrich, Peschoinoje, RUS
 Rigas Augludemu Un Mineraludemu Fabrika,
 Riga, LT
 Riguzzi, Giuseppe, Bologna, I
 Rilke, Herbert, Mailand, I
 Rinckernecht, Angela and René, Colmar, F
 Ritter, Antoinette, Yokohama, J
 Ritter-Luterbacher, Rob., Berlin, D
 Rivier, Jenny, F
 Rivier Prof., W., F
 Riviere, Jeanne and Pierre, Nice, F
 Rizi Dr., W., Vienna, A
 Robert, Germaine, Sarrebourg, F
 Rochline, Marc, Paris, F
 Roeder, Max Curt, D
 Roesscher E.O., Linz, A
 Rohonyi Dr., Nikolaus and N., Budapest, H
 Rohonyi Dr., Oskar and J., Komaron, CZ
 Rolla Rosazza, Anna, Turin, I
 Rolland, Louise, F
 Roller, Albert, Stuttgart, D
 Romandy, Arpad, Feldkirch, A
 Romanet De, Pierre, F
 Romanoff, V.V. and Alexandra V., Paris, F
 Römer, A., Constance, D
 Rosati, Giulio and Pietro and Massimiliano,
 Sesto-Florentino, I
 Rösch, Frieda, Rheinfelden, D
 Rösch, Jakob, Rheinfelden, D
 Rosenthal, Walter, Ridgefield/N.Y., USA
 Rosi, Antonio, Grabs, CH
 Rosmann, Klaus, Oberriet, CH
 Rosset, Laure, F
 Rossini, Alexander, I
 Rosskam, Alfred, London/Portsmouth, GB
 Roth, Hermann, Vienna, A
 Roussel, Raymond and Marie-Louise and
 Germaine, F
 Roussel, Suzanne, Montpellier, F
 Rousselet, M. A., Paris, F
 Roux, Albert, F
 Royer, Marie and Georges, Nice, F
 Rubinstein Hirsch, Muri, CH
 Rubod, José, Lyons, F
 Rücklin, Martha Maria, Pforsheim, D
 Ruebsamen, Rosa, Hergatz, D
 Rukavina, Friedrich, Zagreb, HR
 Rund, Amanda, Katowice, PL
 Ruoss, Hugo, Bregenz, A
 Rupp, Peter
 Russo, Rosaria, CH
 Ruttkay, W., Budapest, H
 Ruyter, Auguste and Marguerite,
 Sanvic, F
 Sabani, Hajrula, Heerbrugg, CH
 Sabatino, Angelo, I
 Sacher, Frieda, Olavaria
 Sachs, Ella, D
 Sackheim, Hirsch, Zurich, CH
 Sagerer, Hans, Munich, D
 Sagué, Gabrielle, Nanterre, F
 Saint-Martin, Denise, Besancon, F
 Saint-Martin, Pierre and Yvonne,
 Besancon, F
 Saltschmer, Vienna, A
 Saladin, Gaston and Beatrice, Paris, F
 Salerno, Rino and Calvisi Sannicci, Caserta, I
 Salhi, Fatima, Basle, CH
 Salmonowitz Dr., David, Riga, LT
 Salmon, Emilie, F
 Salhi, Vitali and Rachel, Istanbul, TR
 Samain Dr., Henri, Saint-Erme, F
 Samos, José, Barcelona, E
 Sapountzoglou, Marika, Rorschach, CH
 Saurel, M., Dijon, F
 Sauter, Fritz, Wollmatingen, D
 Sauter, Jean, Paris, F
 Savic, Donka, Widnau, CH
 Sazy, Georges, F
 Schaarschmidt, Friedrich, Bielefeld, D
 Schaefer, Katharina, Schaan, FL
 Schaeffer, Gerhard, Berlin, D
 Schäfer, Lina, Kassel-Willhelmsheide, D
 Schaller, André and Maxime, Strasbourg, F
 Schaller, Jules and Georges and Jean,
 Strasbourg, F
 Schatz, Albert, Constance, D
 Schatz, Eveline, Lustenau, A
 Schatzmann, Alfred, Lima, PE
 Schatzmann, Marie, Lima, PE
 Schaudt, Karl Rolf, I
 Schautt, Gottl., Constance, D
 Schayesteh Khan, Mahamed, Barcelona, E
 Scheithauer, Emil, Vienna, A
 Schenker and Co. Istanbul, TR
 Schep, H., London, GB
 Scherb, Thérèse, Türkheim, F
 Scherbak, Paula, Brno, CZ
 Scherneck, Heinrich, Siegsdorf, D
 Scheurer, Jean and Ivan and Suzanne Marie
 Pauline, Bagnole De l'Orne, F
 Schethino, Laurent and Louise, Algiers, DZ
 Schiele, Olga, Dresden, D
 Schigert, Robert, F
 Schiller, Adolf, Berlin, D
 Schilling, Manfred, Rheineck, CH
 Schirmer, Ludwig, A
 Schittkowski, Hermann, Hannover, D
 Schlesinger Dr., Karl, Vienna, A
 Schlie, Heinrich, Zagreb, YU
 Schlumberger, Paul and Gergette,
 Nogen, F
 Schmid, J., Antwerp
 Schmid, Paul, Rheinfelden, D
 Schmidt, Bruno, Eisenach, GB
 Schmidt, Charles, Paris, F
 Schmidt, G., Dresden, D
 Schmidt, Gernot, Eggenfelden Wd, D
 Schmitz, H., Munich, D
 Schneider, Hans, La Garenne-Colombes, F
 Schneider, Walter, Stuttgart-Ost, D
 Schoen, André, Mulhouse, F
 Schonberg, Eric, Stockholm/Äppelöken, S
 Schönholzer, Franz
 Schrab, Paula, Schlott, D
 Schreiber, G., Belgrade, YU
 Schrieffel, Anny, Kagenfurt, A
 Schubert, Henri and Louis, Paris, F
 Schulenberg, Friedrich, D
 Schuller, Joseph, RO
 Schulmann, Hélène, Neuilly s/Seine, F
 Schultz, Ernst, Saarbrücken, D
 Schulz, Otto, Neubrandenburg, D
 Schulz, Robert, Berlin-Zehlendorf, D
 Schultze, Frieda, Isola Di Capri, I
 Schwaiger, Walter, Bregenz, A

Schwarz, Patricia, Paris, F
 Schwarzkopf, Ernst and Ida, Prague, CZ
 Schweizer, Paula, Merano, I
 Schwendener, Walter and Suzanne,
 Mulhouse, F
 Seemann, F., Berlin, D
 Seevagen, Anne-Marie Léonie, Ile De
 Bréhat, F
 Seidl, Hilda
 Seiffert, Elise, Paris, F
 Seimberger, H.U., Olsberg
 Sex Y Faya, Francisco, Barcelona, E
 Selcher, Theodor Carl
 Selim, Eyyup, Hawli, CH
 Sembel, Guillaume, Clermont-Ferrand, F
 Semis, Heinrich, Vienna, A
 Serveur, Franziska, ET
 Severin, Kurt, A
 Seya, P., Stockholm, S
 Seyd, Charles, Brussels, B
 Sgalitzer Prof. Dr., Max, Vienna, A
 Shouh Barouk, Hrahim, Mendoza, RA
 Sik, Helene, A
 Silbiger Dr., S., PL
 Simic, Stanoje, Bratislava, SK
 Simon, Antoine, F
 Sinauer, Florine, Paris, F
 Siniger, Helene, Vöhringen, D
 Singer, Paula, Lydney Glos, GB
 Simois, Koudis, Ghorzvine/Teheran, IR
 Sittig, Karl
 Sivirina, A., Petograd, RUS
 Skampas, Wladislaw, Munich, D
 Skinner, Shirley Esther, New York, USA
 Skoed, Giovanni Alessandro, Rome, I
 Slavonische Kohlen-Handels Ges., Kaufmann
 & Co. Zagreb, HR
 Slobotzki, Erna, Pittsburgh, USA
 Slotmarin, Wilhelmine, Petaihou, China
 Smith, Alan John R., GB
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 Soc. Caradium, Strasbourg, F
 Société Etablissement Rios
 Société Pour Le Développement, Schaan, FL
 Soden Von, Adèle, Dresden-Blasewitz, D
 Sohl, Francesco, London, GB
 Solowitschik, Wladimir, Berlin, D
 Somazzi, Carlo Gabriele, I
 Somazzi, Vincenzo
 Sonnenberg, Alfred, Lustenau, A
 Sosnik, Anton, Hechingen, A. P., D
 Soullier, Louis, AUS
 Soupault, Robert, Paris, F
 Soyfer, Claire, F
 Spaeth, Luigi, Naples/Nice, IF
 Sperber, Max, Berlin, D
 Sperling Dr., Theodor and Peppi, Tel-Aviv, IL
 Spiro, Bruno and S., Hamburg, D
 Spoerry, Henri and J., Mulhouse, F
 Straff, Angelo, Milan, I
 Stadthofer, Adolf, Wollmatingen, D
 Stäheli, Eugen, Rome, I
 Staiger-Schaefer, Lydia, Basle, CH
 Stambach, Victor, Colmar, F
 Stanesco, Lucie, Craiova, RO
 Starke, Frank, Solo, I
 Starescu Prof., Victor, CH
 Staub, Emil
 Staub, Pauline
 Stecker, Maria, Constance, D
 Stefan, Alois, Beograd, YU
 Stefanoff Jr., Sava, BG
 Steffanizzi, Giuseppe, Les Bioux, CH
 Stehle, Lucie, Village-Neuf, F
 Steil, Anna, Gernode am Harz, D
 Steinbrugg, Camilla, F
 Steinbrugg, Elsa, F
 Stemlin, Robert
 Stéphanowitch, L.V., Beograd, YU
 Stewart, D. M., Hatch End, GB
 Stierle, Hilda, Constance, D
 Stiefel, Asia, Cologne, D
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 Stoller, Samuel, D
 Stoopman-Glaser, A. J. M., Auconion, PY
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 Strauss, Fritz, Paris, F
 Strayer, Bradford K., Plain City, USA
 Strittmatter, Marie, Rheinfelden, D
 Strobel, Katharina, Balingen, D
 Strumpell, Alice, F
 Stücher, Alfred, Siegen, D
 Stucke, Hermann, Waldshut, D
 Stuckli, Alfred, Suresnes, F
 Sugar, Irene, B
 Sulebke Dr., Hamdi Mehmet, AL
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 Sunny, Francis, Gland, CH
 Surowitz, Erich, Salzburg, A
 Sutter-Faller, H., Lärach, D
 Szallós Dr., Heinrich, D
 Szűcs Dr., Ede, Pápai, YU
 Szymara, Antoni, Dabrowa Gornicza, PL
 T'jong, Arie and Ine, Gv Hooren, NL
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 Talvard, Léonie Narcisse and Jeanne Susanne
 Helene, Bonnavall, F
 Tatos, Théodor, RO
 Tatu, Marie, Besancon, F
 Taugourdeau, Emilie, Louis
 Tavoularis, Kiriakos, Athens, GR
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 Tettel, Serge and Wera, Riga, LT
 Telloglou, Anastase J., Istanbul, TR
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 Tenenbaum, Jos., CH
 Terc, Izrael, Buenos Aires, RA
 Teras, Louise
 Thanner Dr., Julius, Zurich, CH
 Thiel, Arthur, Verden Aller De, D
 Theiss, Xavier, Dornack, Pfalz, F
 Thery, Jean-Paul, Paris, F
 Thibouville, Valentine Marie Marthe, Paris, F
 Thiel, Berthold, D
 Thiel, Gehr. GmbH, Dantzig/Gdansk, PL
 Thierry, Maxime, Par Allogny, F
 Thil, Hannelore
 Thullay Du Boulay, Maurice, Deville Les
 Rouen, F
 Thomas, Wilhelm, D
 Thurn Gräfin, Elsa, Vienna, A
 Thurnherr, A., Belfort, F
 Tiche, Albert and Linda, Paris, F
 Tilles Dr., Henryk, Bucharest/Mexico,
 ROMEX
 Timmermann, Richard, D
 Tissot, François, F
 Tittinger, Leon, Chernivtsi, RO
 Tivillier, Jeanne, Lyons, F
 Todoroff, Sava, BG
 Toepfer, Elise, Vienna, A
 Tomich, Gio, CH
 Töpfer, Julius, Vienna, A
 Toplis, Antonio, Uerikon, CH
 Tornow, Bodo, Frankfurt A.M., D
 Török, Albert, Schwyz, CH
 Touvet, Yvonne, Valdoie, F
 Trapezonaz, Anna, Yerevan, ARM
 Trassard-Deslandes, Jeanne, Auvillat, F
 Travers, Félix, Lyons, F
 Treca, Sophie Marie Lucie, Bayva, F

Tréche-Humbert, Jeanne, Nancy, F
 Treck, Robert, Cairo, ET
 Treppmann, Abraham, Biarritz, F
 Treppner, Hans Joachim, Origgio
 Trinquet, Anne-Marie and Madeleine,
 Aix-en-Provence, F
 Trolle, Henri and Yvonne, Paris, F
 Trpesonjan Dr., Chatscheres,
 Yerevan, ARM
 Trüb, Emil, Bouches-du Rhone, F
 Trüb, Julius, A
 Tschann, Ernst, Buenos-Aires, BR
 Tschudi, Mathilde, I
 Tuchmann Ltd., London, GB
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 Ueberschlag, C., Neuwiller, F
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 Czeslochowa, CZ
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 Uli, Marie, Vienna, A
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 Unlimited Investments AG, Schaan, FL
 Urban, Schillingheim, F
 Urquijo Y Aguirre, Tomas, E
 Vajda, Armin, Budapest, H
 Vajda Dr., Andreas, Komarom,
 Komarom, SK
 Valade, André and Simone and Marie-Louise,
 Amiens, F
 Valdi, Tibor, C., F
 Valkay Von, Bartholomew, Budapest, H
 Van, Nicati, St. Margrethen, CH
 Van Diepeningen, Franz, Bloemendaal, NL
 Van Loo, Nicholas, E
 Van Veen, William, Berlin, D
 Vazou, Marie, Songmons, F
 Veberic, Joseph, Batiscia, BIH
 Venzmer, Federico, Buenos Aires, RA
 Vereinigte Rebanlagen, F
 Vesely, Marie, Abbazia, H
 Vestergaard, Jens, Aarhus, DK
 Vetter, Hubert, Lustenau, A
 Viellard, Albert, F
 Vigna, Clara, New York, USA
 Vilam, Jean and Marthe and Marguerite,
 Strasbourg, F
 Villand, Albert, Paris, F
 Villarno, Jose, Bad Ragaz, CH
 Villiers De La Noue, Yvonne, Paris, F
 Vischoff, Houtie, CH
 Visconti Graf, Francesco
 Viuda De Lachambre, Maria, Barcelona, E
 Vogel, Berthe, Strasbourg, F
 Vogel, Franz, Freiburg, D
 Vogel, Manfred, Lustenau, A
 Vögeli, Jos. Ed., Bonn, D
 Vögeli, Oscar B., Washington, USA
 Vogl, Karl, D
 Von Avenarius, Theodor, Berlin, D
 Von Dem Busche Freiherr, D. and Eleonora,
 Berlin, D
 Von Dinstay Dr. Baron, Andor,
 Budapest, H
 Von Dorsten, Wilhelm
 Von Drabich, Günther, Hohenbühl,
 b. Clafburg, CH
 Von Franken-Sienstorf, Graf, Clemens
 Von Glaserapp, Kathie, Potsdam, D
 Von Hilber, Gedeon, Innsbruck, A
 Von Langen, Dr., Drassingen, D
 Von Luteran, Marie
 Von Münich, Aladar, Budapest, H
 Von Ow, Wilhelm, Büdingen, D
 Von Sonntag, Eugénie, Stuttgart, D
 Von Ujasszay, Stefan, Budapest, H
 Von Vacchery, Elsa H., Memo, I
 Von Weiss, Ferdinand, Geneva, CH
 Vorländer, Hans, Kobe, J
 Vriesman Dr., Emilie, Lucerne, CH
 Vultich, De, Douchan and Antoinette and
 Vladimir, F
 Wadd, Kenneth T., Cornwall, GB
 Wagner, Hans, Berlin, D
 Wähler, Konrad Reinhard, I
 Wähler, Max Bruno, Lobichau, A
 Walch, Stefanie, Sattens, A
 Waldenmeyer, Robert, Mulhouse, F
 Walder, Wilhelm, New York, USA
 Walliser, L., Rheinfelden, D
 Wallner, Johann, A
 Walker-Wald & Cia, Buenos Aires, RA
 Walther, Marcel, Paris, F
 Walz, Albert, Munich, D
 Walz, Hermann and Josefina, Madrid, E
 Wanner, Lilly, Peonia
 Wasilewski Dr., W., Berlin, D
 Wassner, Anna, Rheinfelden, D
 Watelle, Donat Paul, Cambrai, F
 Watson, Rupert C., USA
 Wattenwyl von, Louis
 Wattenwyl von, Reinhard
 Weber, Jean, Brussels, B
 Weber, Renee
 Weber, Stephan Emanuel, Calcutta, IND
 Weber Dr., Walter, Istanbul/Zagreb, YU/TR
 Weick, Jeanne, Mulhouse, F
 Weidenhaus, Lucie, CZ
 Weil, S.H., Gillingen, D
 Weill, Léon, Milan, I
 Weinreich, B.O., Jerusalem, IL
 Weiss, Emil H.
 Weiss, Louise, Paris, F
 Weiss, Robert, Vienna, A
 Wexler, Hermann, Bludenz, A
 Wendland D., Hans, D
 Werner, Lisbeth
 Werner, Theodor, Potsdam, D
 Wertheimer, Frieda, Constance, D
 Wesel De Shaw, Alice
 Wessing, Rud., Paris, F
 Wetter, Max, Pletzing Post Endorf, D
 Wickswat, H. Ms., New Jersey, USA
 Widenkehr, Louis-Pierre and Léna,
 Tübingen, F
 Widmann, Frieda
 Widmer, Jacob, Constance, D
 Wiener, Henry, Paris, F
 Wiese, Otto, Jara, RI
 Wilhelm, Marie, Cernay, F
 Wilks, Basle, CH
 Wilski, Stefan, Kattowitz, PL
 Winkler, Theo, Bischofswiler, F
 Winkler, Theo and M., Bischofswiler, F
 Winth, Maria, Rheinfelden, D
 Wintuhaler, Lea, Rheinfelden, D
 Wirbel, H., Paris, F
 Wirth, Friedrich, Bratislava, SK
 Wisak, Helene, Klagsfurt, A
 Wittlich, Joh., Rheinfelden, D
 Wittlin, Vreneli, Petit-Savornet
 Witzner, Ladislau, Schaan, FL
 Wöhle, Juliette, Constance, D
 Wolde, Ludwig, Berlin, D
 Wolf, Emil, Lindau, D
 Wolf, Susi, Bucharest, RO
 Woschnigg, Max, Klagsfurt, A
 Wubbe, Constance
 Wygnanski, Bruno, Santiago, RCH
 Xenakis, Nicolas J., Braila, RO
 Yannaghas, Eustache and Eugénie
 Ybarra Y Lopez De Calle, Carmen, St. Jean
 De Luz, F

Yebra, Luis, Widnau, CH
 Yellen, Fern, Iowa, USA
 Yildirim, Ahmed, St Gallen, CH
 Zaeppfel, Louis and Jean and Jeanne,
 St-Marine Aux Mines, F
 Zamola, Umberto, Venzona, I
 Zampaghione, Joseph, CH
 Zander, Jane Murel, Berlin, D
 Zander Dr., M., Paris, F
 Zehne, Herta, D
 Zesing, E. and H., Livu, PL
 Zelunesco, Victor, Paris, F
 Zeller, Hortense, Mulhouse, F
 Ziebarth, Gerd, D
 Ziegler, Elsa, Mulhausen, F
 Zimmermann, Fred, Paris, F
 Zimmermann, René, St-Marie Aux
 Mines, F
 Zimmermann, Richard, Sighisoara, RO
 Zollino, Eva, Le Sentier, CH
 Zoltan, Elie, Budapest, H
 Zorc, Vladimir, Balzers, FL
 Zoubareff, Alexander, USA
 Zu Elz Graf, Sophie, Vukovar, HR
 Zuber, Ernest and Olga, Bousvillers, F
 Zuber, Louis, Rixheim, F
 Zucker, Louise, Merano, I
 Zuckerberg, Max, Galatz, RO
 Zuggal, Arthur, Dornbirn, A
 Zurcher Dr., K., Constance, D
 Zvibel Dr., Jean, Botosani, RO
 Zwirk Dr., Karl G., Cincinnati, USA

Power of Attorney Names

Achuleguy Y Urquiza, Maria Luz
 Adler, Franz
 Adler, Lola
 Adler, Stefan
 Agatstein, Angelica
 Agatstein, Rachel
 Ahrendt, Marie Jeanne
 Albert, Philippe
 Alibeu, Henriette
 Amann, Theodor
 Amigues
 Amster, Pierre
 Andras, George
 André, Jacques
 Baier, Johan
 Ballif, Marthe
 Ballif, Thérèse
 Balhuser, Waldemar
 Bauer, Franz, Berlin, D
 Beger, Otto
 Beilinger, Ernst
 Berard, Paul
 Berg, Alexandre
 Berger, Anne
 Berges-Ilison, Suzanne
 Blackmer, Henry M
 Blumke, Lina
 Bloch, Erwin
 Blumgrund, Leo
 Bodenez, Elisabeth Dora
 Bollach, Raymond E.
 Bonn, Charles
 Bonnet, Raoul
 Borgeaud, Paulin
 Bosc-Espalier, Marie
 Bouchard, Jeanne
 Bracka Xavier Comtesse
 Brasseur, Mathilde
 Braun, Arnold
 Brewster, Harry
 Brockhaus, Hans
 Brockhaus Dr., Fritz Eduard
 Bruckner, Inge
 Brunet-Tchobolavsky, Tamara
 Bullock, Carlotta
 Carver Dr., Pier Luigi
 Capiere, Paulette
 Chapuis, Suzy
 Chavance, Irène M.
 Conrad, Hermann
 Constantinides, Lydia
 Courmont, Georges
 Cradock, Klementine
 Croset, Louis
 Croy, Philippe
 Cuny, Georges
 Currie, Gladys R.
 d'Aubigny, Jean
 Dallet Dr., Josef
 Danesova, Anna
 Dassezcoz, Xavier
 De Boesleury, Jean
 De Clam Marquise
 De Guryen, Joseph
 De La Taille des Essarts Baron, Edgar
 De Montval, Marc
 De Souza e Faro, Marie A.
 De Tanfani di Montalto, Umberto
 de Vaugrand, Ch.
 de Wegner, Maria Josefa
 del Solar Vives, Rafael
 Denantes, Paul
 Deroux, Ernest
 Deroux, Josephine
 Desoer, Jean
 Despin, Marguerite
 Despin-Gresse, Pétronille
 Dethy, Janos
 Dethy, Nelly
 Devre, Madeleine
 Dobrowitz, Marie
 Domitz-Juchter, Kathie
 Domorazek, Wladimir
 Domorazekova-Bas, Otilie
 Donath Dr., August
 Drach, Georg
 Drechsler, Alexander
 Drechsler, Emilie
 du Chalar, Céline
 du Chalar, Christian
 Duchaussoy, Baron
 Dupont, Emilie
 Dupuis, Charles
 Dupuis, René
 Dupuis, Marie
 Duschitz, Jakob
 Duschitz, Thérèse
 Eckhardt, Albert
 Ehrmann, Albert
 Eichberg, Hans
 Enesa Coatreceas, Joaquin
 Enesa Pujadas, José
 Enkson, Jeanne
 Ernst, Ferdinand Otto Kurt
 Escarraz, Jpina, Manuel
 Esterlasy Dr. Furst, Paul
 Etcheverry Y Daniel, Joan
 Etienneau
 Feder, Käthe
 Feenders, Meta
 Feterberg, Edysa
 Fenner, Elsa
 Ficazzi, Pietro Alfonso
 Fimchenich, Fred
 Fischer, Bertha

Fischer, Helene
 Fonda, Savio Antonio
 Font Allen, José
 Fougères
 Frank, Ernst
 Frelon, Albert
 Friedel, Augusta
 Fuchs, Hermann
 Fuchs, Magarete
 Fuchs Dr., Johannes
 Fürst-Königstein, Rudoline
 Galcier, Albert
 Galcier, Jean
 Galcier, Louis
 Galinska, Izabella
 Geyer, Herma
 Gemuseus Dr., Alphonse
 Georg
 Georgescu, Mihail
 Georgescu, Mihail Gr.
 Gerhard, Martha
 Giros, Henri
 Giros, Marcel
 Goetz, Alfred
 Goetz, Berthe
 Goetz, Jeanne
 Goldstein, Halina
 Goldstein, Isck
 Gottlieb, B.
 Greiner Dr., Franz
 Griese, Friedrich Emil
 Gross, Lela
 Grossmann-May, Shirley
 Gross, Hilda
 Guasta de La Fuente, José
 Guldner, Erwin
 Guttman, Therese
 Haag, Theres
 Haberstroh, Veronica
 Hamacher, Harry W.
 Hamacher, Renner
 Hamacher-Franger, Adele Margar
 Haupt, Emilie
 Haupt, Maria
 Heintzmann, R.J.
 Heller, Johannes
 Hentsch, Pierre Edouard
 Herzfeld, Ernst
 Hess, Marie
 Hess, Willy
 Hirsch, Conrad
 Hirsch, Daniel
 Hirtz, Blanche
 Hoch, E. Th.
 Hof, Eduard jun.
 Hofmann, G.
 Hofmann, Heinrich Ernst
 Holm, Theres
 Holtscher, Elisabeth
 Holtscher Dr., Siegfried
 Holm, Hermann
 Hopp, Willy
 Horwitz, Hans
 Houdaille, Marie
 Huber & Lutz
 Hudre, André
 Ishording, Gertrud
 Jager, Karl
 James-Lange, Clara Ellen
 Jaureaud, Marcel
 Jauer, Guillermo
 Jones, Nonna
 Joubert, Eugénie C.
 Jourda, Jacques
 Juchert, Achilles
 Just, Willi
 Kaufmann, Oscar
 Kertesz, Nandor
 Keene, Gustav
 Keene, Ludwig
 Klebe, Ernestine
 Knips, Rudolf
 Knuth, Hans Rudolf
 Konec, Istvan
 Konec, August
 Königswinter, Hugo
 Königswinter-Genet, Marie-Louise
 Kouff, Lise
 Kraatz, Adolf
 Kraatz Dr., Werner
 Krausz-Castelli, Ernesto
 Krausz-Castelli Dr., Giorgio
 Kravkov, Miluse
 Kruger, Otto
 Krüger-Bruggemann Dr., Emmy
 Kübler, Emil
 Kuhn, Paul
 Kuna, Josef
 Kuna, Schlotha
 Kurz, Michel Charles
 Kwasis, Albert
 Lambert, Jeanne
 Landesmann, Frieda
 Landsberg, Klaus
 Langer, Anny
 Lannes-Gachassin, Léonie-Marie-Pauline
 Lanza Filingeri, Maria
 Lanza Filingeri, Stefano
 Larc, Jack (Ivan)
 Larc, Margareta
 Larc, Paul (Pavel)
 Laroche-Joubert, Marguerite
 Laroche, Emilie
 Laroche, Paul Adrien
 Le Guillo, Jean-Marie Alexis
 Lecomte, Henri
 Lenard, Rob.
 Lencoud, Bernard
 Levy Heinz Albert
 Limmering, Heinrich
 Linner, Anna
 Linner, Maria
 Linner, Terese
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 Lonska, Rosa
 Lorenz, Hermann
 Lupu, Elena
 Majorelle, Jean
 Mantilleri, Pierre
 Martin, Jean
 Massot y Balaguer, Luis
 Matter-Burki, Gertrud
 Maurung, Emilie
 Merian
 Merlau, Emmy
 Meslewy-Schuller, Margareta
 Meyer, Pierre, Yvonne
 Meyerhoff, Else
 Meyerhoff-Ebner, Foga
 Miez-Vogl, Hildegard
 Milrath, Lilly
 Molin, Martin
 Möller, Otto
 Monthiers, Pierre Jean
 Mondret, Jacques
 Mondret, Marie Anne
 Morel de Foucaucourt, Guy
 Morel de Foucaucourt, Jean
 Mosbacher Dr., Kurt
 Moschel, Gertrud

Moskovic, Klara
 Müller, Klara
 Müller-Aeschl, Berli
 Münch, Heinrich Karl
 Mundt-Lange, Gertrud
 Myjai, Jacques Simon
 Nagy, Adele
 Nagy, Margarethe Leopold
 Neubauer Dr., Annelie
 Neubauer Dr., Leo
 Nikolic, Edith
 Nobel-Heller Dr., Marianne
 Novak, Jiro
 Oberländer, Erica
 Oberländer, Frank
 Oberschall, Victor
 Ojetti di Valnera Dr., Giuseppe
 Ojbrutschewo, Aglaida
 Ojmanoff, Alexander
 Ohlnd, Gustav
 Oshin, Alexander
 Pardany, Rosa
 Farmentier, Thérèse
 Patold, Erna
 Patold, Franz
 Pavia, Gaston
 Perben, Andre
 Perduet, Georges
 Perduet, Jean-Paul
 Perez, Hidalgo Antonio
 Perollaz, Gabrielle
 Persky, Anna
 Pischnick, Gerda
 Pudellevre, Renée
 Pignolet, Jean
 Plaquevent, Jeanne
 Pogany, Miklos
 Posada, Hilde
 Post, Bruno
 Prodano, Elvira
 Proskauer, Max
 Prynal
 Rast, Kathi
 Reber, Hildegard
 Rhein Dr., Marcel
 Ricca, Amalia
 Richter, Mira
 Riegelmann, Olga
 Riera Clariana, José Maria
 Resen, Anna
 Riguzzi, Carolina
 Rivas-seau
 Rochelin, Maro
 Rolla Rosazza, Vitale
 Rosenthal, Ella
 Rosenthal, Paul
 Rousselet, Charlotte
 Ruch, Michel
 Rudy, Josef
 Rummelin, Hilda
 Rund, Kurt
 Runge, Hans
 Sack, Otto Georg Johannes
 Sacrest, Daniel, Pedro
 Salmonowicz, Mirjam
 Schaar, Eugen
 Schaumburg Graf, Heinrich
 Scheibauer, Lise
 Schenberger, Anna
 Schlie-Graz, Jella
 Schmitt, Arndt
 Schmitt, Robert
 Schmutz, Vladimir
 Schuen, Alfred
 Schnell Dr., Karl
 Schuller-Rothausen, Margareta
 Schulz, Hans
 Schwarz, Franz
 Seck Bonastre, Francisco
 Senkoff, Serge
 Serrano Suter, Ramon
 Serrano Suter y Polo, Fernando
 Serrano Suter y Polo, Jaime
 Serrano Suter y Polo, Jose
 Serrano Suter y Polo, Pilar
 Serrano Suter y Polo, Ramon
 Sgalitzer, Helene
 Sierstorf, Grafin
 Simon, Svetozar
 Simon, Alexander
 Singer (Jugoslavische Kreditanstalt AG),
 Slavko
 Smeles, Lilia
 Squire, Dorothee
 Stanesco, Ian
 Stasesco Prof., Constantin
 Staub, Aug. E.
 Staub, Emil
 Staub, Pauline
 Stefanova, L.
 Stille & Kopke
 Stoopmann, Ely
 Swolensky, Ella
 Takos, Maria
 Telbis, Rodolphe
 Teslar, Georges
 Thallmayer, Alfred
 Thanner-Jehli, Marie
 Then, Karl Albert
 Thöne, J.J.
 Travers, Jean
 Travers, Léon
 Travers, Rosalie
 Treca, Albert-J.-M.-C
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 Trog, Hans
 Trolliet, Louis
 Ugo Della Favare, Silvia
 Valda, Etl
 Verme, Bella
 Verme, Gyula
 Vesely Dr., Jan
 Victor, Louis
 Viki, Pierre
 Vogt-Oberitter, Maria
 von Beer, Alesu-jun
 von Avenarius, Alexander
 von Drabich-Wachter, Vally
 von Murad, Franz
 von Ow-Wess, Anna
 von Wess, Lisl
 Yonderweid, Alfred
 Wald, Erwin
 Waldenmeyer-Wirtz, Cécile
 Walter, Rodolfo
 Weber, Rosa
 Weill, Albert
 Weill, Alexandre
 Wendland-Billett Dr., Charlotte
 Wendling Dr., Joseph
 Werner, Annelie
 Willem, Francis
 Willem, Dr. Denis
 Winkler, Marguerite
 Wirth, Helene
 Wirtkewitch, Paul
 Yvet, Marie Anne
 Zelm, Viktor
 Zoltan Dr., Eugen
 Zoltan de Gyron, Gertrud
 Zu Elz Graf, Jakob
 Mosbacher Dr., Kurt
 Moschel, Gertrud

Boardroom

مكتبة الامم

Chancellor considers fairness alongside desire for VAT on more goods and services

Treasury chief snubs IMF's tax advice

By Robert Chote and Wolfgang Münchau

Mr Gordon Brown, the chancellor of the exchequer, yesterday rejected the International Monetary Fund's call for value-added tax to be levied on a wider variety of goods and services, arguing that considerations of fairness had to be placed alongside the desire for a broad tax base.

The IMF favours VAT widening as a medium-term policy to promote savings, rather than a short-term attempt to restrain spending. The chancellor told the House of Commons Treasury select committee that he stood by his pledge not to impose VAT on food, children's clothes, transport, books and newspapers during the current parliament.

"There are fairness issues involved here," the chancellor said, adding that these were essential on which people had little choice but to spend money. Mr Brown said he had no plans

either to extend VAT to non-essential items. He also promised to resist any pressure from the European Commission to harmonise VAT rates with those in other countries. "We are certain we will have national autonomy on these matters," he said. "Any attempt at harmonisation would have to have unanimity and we would... veto an attempt to do so."

The chancellor said that the fiscal tightening in the Budget should reduce the rise in interest rates necessary to subside inflation. He also rejected accusations that he should have done more to address the overvaluation of the pound, which closed at a just under DM3.04 yesterday - its highest rate in nearly seven years.

Caught in the current, Page 12

Wales offered path to own economic rule

By Liam Halligan, Political Staff

The government yesterday set out its proposals to create a 60-member elected Welsh assembly by 1999, to be responsible for the £7bn (\$11.7bn) Welsh Office budget, and for Welsh public services such as schools, hospitals and transport.

government discussion document *A Voice for Wales*, were announced in the House of Commons by Mr Ron Davies, Welsh secretary. "Our aim is to improve public services by making them more responsive to the views and needs of Welsh people," he said.



Peter Hain (left), Welsh Office minister, and Ron Davies at the Welsh devolution press conference

endorse the discussion document's proposals in a referendum on September 18, the government expects its devolution bill to become law in July 1998, with Welsh assembly elections - using a form of proportional representation - in May 1999.

The document was dismissed as "incoherent" by the opposition Conservative party. "All the indications are that these proposals will diminish the status of Wales," said Mr William Hague, Conservative leader and himself a former Welsh secretary. "It will mark the marginalisation of Wales within the UK and damage the prospects for future inward investment and growth."

Addressing concerns that Wales, where the Labour party holds 34 seats, was in danger of becoming a one-party state, Mr Davies said: "Because 20 of its 60 members will be elected from party lists, in proportion to total votes cast, this body will reflect all parties' interests."

Mr Davies also stressed that the proposed Welsh assembly elections would represent Britain's "first use of proportional representation." Under the proposals, Wales would continue to send 40 MPs to the House of Commons. The post of Welsh secretary would remain, partly to act as a link between Wales and central government in London.

Personal View - Adair Turner

The best policy for the nation

Yesterday, after four months of consultation, and many more before that sitting on a crowded fence, the Confederation of British Industry decided its policy on economic and monetary union. It supports UK membership of a successful Emu, but says Britain should join only if and when the conditions for success are in place.

The UK should help set up a successful Emu as a precursor to joining

prices for the consumer and stronger companies better able to compete across the world. Emu will create a single European capital market for debt and equity - a more efficient mechanism for allocating savings to the highest-return investments.

percentage of gross domestic product traded across currency boundaries, does not have to face. But while Emu has significant potential advantages, and while indeed there are risks for Britain if we stay permanently outside Emu, there are also major risks in monetary union particularly if it goes ahead under the wrong conditions.

In an ideal world, those conditions for success would argue for great caution about the speed of and phasing of Emu's implementation. Inflation rates across Europe have converged to a surprising extent, but the fiscal positions of many potential participants fall short of obvious sustainability and the direction of EU labour market policy remains unclear.

Business urges early pledge to join Emu

By Stefan Wagstyl in London

The Confederation of British Industry, the biggest employers' lobby, yesterday urged the government to make an early pledge to take the UK into European monetary union.

of the support of the "vast majority of the members", the CBI strongly believed that the UK should join Emu.

The statement said: "The CBI believes that the UK's economic and business interest is best served by membership of Emu, when the conditions are right. The UK government should now work to help bring about the conditions which will make Emu a success."

Its views could jeopardise the future of the government's flagship proposal to launch an internet-based "university for industry" for underpinning the drive to improve skills in the workplace. The number of higher education institutions has mushroomed from 31 to 176 since the last major review of the higher education sector in the early 1960s - with the number of "universities" totalling 115.

For some, Emu is primarily a political question. Some believe it a necessary precursor to a desirable political union: others a threat to national sovereignty. And it would be absurd to deny that Emu has a political dimension. But I think some of these arguments are overplayed.

National economic sovereignty is constrained by the facts of economic life. The issue is how to maximise economic success, not the illusion of national control. It is on the economic arguments for and against that we need to focus.

That Emu will go ahead in less than ideal circumstances is the context in which Britain must decide

More vitally still, if we abolish exchange rate flexibility, which can help bring real wages in line with productivity levels, we need the alternative of labour market flexibility. For Emu to work, wages in different regions

Until now, the CBI has kept all its options open, for fear of offending the Conservatives and of splitting its members. But the general election result has removed the political obstacle to making a choice. In addition, the recent surge in sterling has converted many business people to the potential virtues of a single currency.

In a poll of 400 members of its committees and regional councils, the CBI found a 42 per cent vote in favour of entry in 1999 and a further 52 per cent in favour of entry at some time. Only 6 per cent voted against UK entry.

FOREIGN INCOME DIVIDEND SCHEME

Government announces rethink

The government last night pledged that it would complete a consultation exercise on the future of the Foreign Income Dividend Scheme by the spring of next year in a bid to allay the concerns of UK multinationals over the issue. As opposition Conservative MPs accused the government of abandoning an important feature of Mr Gordon Brown's recent Budget, Mr Geoffrey Robinson, paymaster general, said that a final decision on whether Fids should be scrapped would be announced at the time of the next finance bill.

Emu could bring big economic advantages, but only if it goes ahead under the right conditions: if those conditions are not in place, it could do harm.

Eliminating those swings will remove unnecessary volatility from the real economy, a volatility which the UK, with its much smaller

must be set by the competitive circumstances of the companies based there - the wage rates at a car company's plants in Germany and in Spain must be set by local conditions and productivity not by pan-European collective bargaining.

If European labour markets evolve in a less rather than more flexible way, then Emu could create major problems.

Mr Niall Fitzgerald, chairman of the CBI's Europe committee, said that in view

Mr Fitzgerald said careful preparation of Emu was very important, as a failure would have "the most enormous negative impact". Given that exchange rate flexibility was being removed, it was essential there was adequate flexibility in labour markets.

James Blitz

Boardroom rules report may take softly softly approach

The Hampel committee on corporate governance met yesterday for what could be the last time before publication of its preliminary report. As the members gathered at ICI headquarters they must have been aware of a certain anxiety over the direction they may take.

The latest corporate governance committee has no desire to make business history, writes Jim Kelly

Many directors must hope Sir Ronald Hampel, chairman of ICI, will be remembered for leading a committee which drew a line under what they see as the onerous prescriptions of his predecessors - Sir Adrian Cadbury and Sir Richard Greenbury.

One company adviser says: "I don't think this is going to be a dramatic document - we could even see him going into reverse in some areas." However, corporate governance reformers will hope the committee will go forward - widening the corporate governance debate to include the role institutional investors play and the

unlikely to add to the load and may lift it a little - for example, by opening up the possibility that smaller companies do not need to follow all the guidelines of Cadbury and Greenbury. On the other hand it could also please big UK companies by suggesting that foreign companies listed in London also follow such corporate governance guidelines.

On one or two points Hampel may be tempted to roll back the tide of disclosure which came with Cadbury and Greenbury. Executive pensions now carry two methods of calculation. Hampel may push for a simplified single figure, although this would prompt a fierce reaction from actuaries.

On directors' responsibilities to report on internal controls - a hot issue after collapses such as Baring's - the committee may recognise that the subject has become clouded in semantics and simply call for a breathing space.

Clinton to back rise in Medicare premiums

US state in clash over benefits

A program of organisation

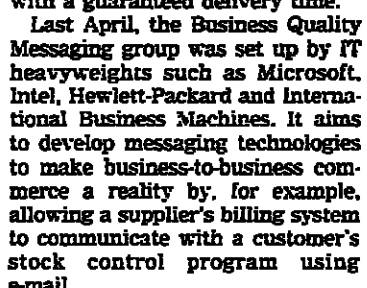
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Mark Selway

Shoot the e-mail messenger

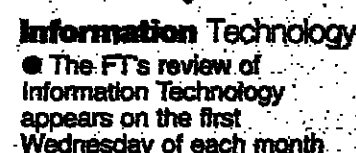
If a bid for a contract is sent by e-mail over the Internet, the sender

Analysts believe it will be several years before extranets replace specialised electronic trading systems, such as the electronic data interchange networks used in



A more pressing problem for internet mail is security. "Sending e-mail over the internet is like sending postcards. Anyone can read them," says Chris Taper, chairman of the Eema security committee. According to an Eema survey, 53 per cent of businesses polled were so concerned about security that they did not use the

Products exist that allow users to encrypt and digitally sign messages, and verify that a received message does indeed come from the supposed sender. But the biggest hurdle has been distributing the encryption keys that trading partners need to decode each others' encrypted messages. By the end of this year, Eemsa hopes to have agreed a standard for e-mail directories that will allow internet users to look up the e-mail address and keys of trading partners more easily.



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A black and white photograph showing a person's hand holding a handheld electronic device. The device's screen displays a detailed circuit board layout, likely a PCB design. The device has a dark, possibly black, casing. The background is a light, textured surface.

Fujitsu Personal Systems has launched what is claimed to be the world's first mobile pen computer - or pen tablet - to run Windows NT, the "industrial strength" Microsoft operating system. The California-based Fujitsu subsidiary says this will allow enterprises to use 32-bit applications in the furthest reaches of their organisations. The Stylistic 200, expected to be priced from £2,100, is also available with Windows 95 or Windows for Workgroups 3.11.

Fujitsu Personal Systems (Louis Jouanny), tel France 05 55 96 96 36, fax 05 55 96 96 87.

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ARTS

Television/Christopher Dunkley

View from the top

This column is dedicated to the memory of Brian Wenham for whom a memorial service was held at St James's, Piccadilly, in central London on Monday. Wenham's life and work exemplified the golden age of British broadcasting - a concept which infuriates many of today's broadcasters, but which, as hindsight makes increasingly clear, is a distinct reality. The point is not that good programmes are no longer made, but that during the years when Wenham was a central and inspiring influence, demanding and high quality programmes were a dominating factor in British broadcasting. Today they seem to be made as an afterthought, a duty, an adjunct to the real thing: ratings winners.

In the 1960s Wenham worked at ITN; in the 1970s he was editor of *Panorama* and then head of BBC current affairs; in the 1980s controller of BBC2, then director of programmes for BBC television; and in 1986/87 he was managing director of BBC radio. You could tell what sort of man he was from the hundreds who packed St James's on Monday, not only the top executives of British broadcasting and scores of producers, but a host of famous on-screen faces: Robert Kee, John Tusa, Joan Bakewell, Humphrey Burton (who organised the music), Ludovic Kennedy, Melvyn Bragg, Jeremy Paxman, and many more. They would not turn out for every BBC

bigwig, but Wenham had special qualities, not just professional but social: he and his wife, Liz, were at the centre of what seemed to be an endless network of friends.

From time to time, gamekeeper Wenham turned poacher and wrote this column. Had this been one of his, what would he have found to admire in the past week, and, not being a man to suffer fools gladly, what would he have eviscerated? It is midsummer, of course, and the worst time of year for new or unusually good programmes, yet I suspect he would still have found much to praise. First, as a lifelong music lover and passionate devotee of the Proms, he would have watched the opening night of the 1997 season and listened simultaneously to the Radio 3 transmission. (Actually he would have been there, but let's pretend...)

He would, I suspect, have approved of Bob Coles' direction of the programme not only for what he did, but for what he did not do. Watch the television of orchestral concerts almost anywhere else in the world and you risk seasickness: the crash zoom into the trombone bell, the zip pan to

the blonde oboe player, the cut to a shot from the ceiling, mixing through to a fuzzy outline on which you pull focus to reveal a reflection in the tube, the bounce from one camera to another in imitation of some fast rhythmic passage of music - all this frantic malarkey is standard in most countries. The BBC still respects its public enough to televise this sort of event with an intelligence which takes the development of the music into account.

Having been so closely involved as a producer with factual programmes, Wenham would probably have watched this year's three *Hypotheticals* on BBC2 - once his own channel - and might have reflected that, while these discussions of employment policy were not the very best *Hypotheticals* ever made, the formula was still working well and revealing what otherwise, so often, remains hidden. (They were reviewed in Saturday's FT.) No doubt he would also have watched *Neighbours From Hell* on ITV with its

dreadful - yet sometimes undeniably funny - litany of spite and cunning: pig manure under your neighbour's window, fast growing evergreens to steal your neighbour's light and view, closed circuit cameras to catch them flicking handfuls of soil into your fishpond. However, he might have felt that the final case, involving racist persecution, up to and including attempted murder, was in a different category and (thanks to some excellent and terrifying vérité footage) deserving of a separate programme.

But, despite his interest in politics, industry gossip, and talk generally, and consequently in talk shows, I suspect that the programme which might have captured Wenham's imagination most was the second in the Channel 4 series *The Deep*, about life in the deepest parts of the ocean. I am not aware that he had any particular interest in matters sea-adjacent, though he certainly loved most aspects of the Mediterranean area, but he did appreciate professionalism in any sort of programme making and *The Deep* is highly professional. Furthermore,

there is a philosophical, even a metaphysical, side to these programmes, especially to the second in the series on Sunday, which would have appealed to Wenham.

Like most of us he would have goggled in fascination at the 30-foot eel, the vampire squid (very bad news, like a barrage balloon with Dracula teeth) and the bizarre nanomia which looks like a bundle of television aerials. But what would surely have engaged his mind was the revelation of what the most recent deep-sea discoveries have shown about our previous beliefs concerning life on earth. Sunlight necessary for all life? Insects the most numerous life form? Moderate temperatures needed for life to begin? Thanks to the modern equipment shown in last week's programme, we now know that the "black smokers" on the ocean floor, miles from any sunlight, which spew out volcanic matter at 350 degrees centigrade, are surrounded by billions of shrimp.

In the mud below the ocean abyss lives "the most abundant and successful life form on this planet":

microscopic worms called nematodes which - and this is the mind-boggling bit - may have their counterpart in a deep inner sea on one of Jupiter's moons which was recently photographed by the Galileo probe. It sounds almost post-Darwinian, and Wenham would have revelled in the new vistas being opened up, and in the way that television was so early into an area which is now spawning books at an amazing rate.

In the area of arts and entertainment, he would hardly have been greatly impressed by this week's *Omnibus* which asked "Whatever Happened To Clement And La Frenais?" and, having told us - they have been living for years in Los Angeles (was there somebody who did not know?) - failed completely to tell us why. Why did they go in the first place, at the height of their fame as creators of *Partridge* and *Auf Wiedersehen Pet*, and why do they stay now that they seem to be employed as uncredited script spin-doctors? On the other hand, Wenham might well have felt that midsummer was a good time for repeats of *Pride And Prejudice* on BBC1 and *The Jewel In The Crown* on Channel 4, two of the best serial adaptations in the last quarter of a century.

Born in 1937, Brian Wenham lived only 60 years, but he was centrally involved in what may prove to be the richest years of British broadcasting. Richest in programmes, that is.

Opera/Richard Fairman

Pantomime Rossini saved by its star

The promise that Glyndebourne was going to take up Rossini in earnest did not start out as its audiences might have hoped. The first opera the festival chose was the little-known, gloomy *Ermione* two years ago - an interesting rarity and splendidly done, but hardly the operatic fare to go with a summer picnic.

This season's promise has its reward. *Le Comte Ory* is one of the select group of Rossini comic operas that can hope to tickle the ribs of an opera-going public brought up on television sitcoms. What other opera includes a chorus of drunken nuns or a trio in which a cross-dressing man accidentally mistakes the woman he desires for a different woman who is playing a man? Fail to get a laugh out of that and the producer should be shown the door.

For its new production, which opened on Sunday, Glyndebourne entrusted the job to Jérôme Savary. As founder of Le Grand Magic Circus, he could guarantee some clowning. But as the show sets out at near-pantomime level, with a latecomer wandering on to the stage clasping his picnic-hamper and a herd of model cows trotting across the backdrop, any sentient brain has to stop and ask what grown men and women are doing taking opera like this seriously.

The answer does not come until halfway through the first act, when the toy drawbridge of the castle is lowered and the reason for being there walks on and starts to sing. Her name is Annick Massis and she is a class act who raises the level of the whole game. So often these high coloratura Ros-

sini parts attract singers who operate like mechanical dolls, but Massis's expressive soprano is so much more - a voice of smiles and tears with a human face - and she is also a beautiful and subtle comedienne.

With her help the music comes into its own. Rossini knew all about getting value out of his assets and for this opera re-cycled a lot of his earlier score for *Il Signor Bruschini*. How it is that *Le Comte Ory* can seem to have a delicacy of its own is the composer's secret. I am inclined to think that Glyndebourne's music director, Andrew Davis, is on better terms with the rumbustious Italian Rossini than his subtle French twin brother, but he gets brilliant playing from the London Philharmonic, which is one of the evening's main assets.

As in so many Rossini operas, the main tenor role is a killer. Marc Laho, as Comte Ory himself, has a serviceable voice that manages the fast runs and high jumps very commendably, but his singing never quite turns a sport into an art. Like a pole-vaulter going for a lifetime best, he runs up to the impossibly high Cs and Ds with all the vigour he can muster, but the sound is loud and coarse, where some soft artistic shading would have been more welcome. Still, he does well enough, so it seems mean to complain.

In the role of the principal boy, Isolier, Diana Montague has the ideally youthful high mezzo voice for the part and looks great in the page boy's blue satin tights. Ludovic Tézier has the advantage of being a native French-speaker in Raimbaud's tongue-twisting aria and



A class act: Annick Massis and Diana Montague in 'Le Comte Ory' at Glyndebourne

Julien Robbins sings the Governor with a resonant, gravelly bass, which is not quite as mobile as Rossini's music demands. Jane Shawlis hits the right tone of matronly prurience as Ragonde and Glyndebourne's male chorus has a

high old time as the drunken nuns dancing the can-can. The simple truth is that Rossini was no Mozart when it came to writing comedies that plumb human depths. So long as one is prepared for a belly-laugh with no strings attached, this makes

a fine evening's entertainment. Savary handles the sexually confusing final trio quite brilliantly and his designer, Ezio Toffolutti, contrives some beautifully romantic, sepia-tinted scenes, not least his naughty ladies' bathing chamber. If

any newspaper blazes the headline "Topless at Glyndebourne", he assured it is referring to events on stage, not the picknickers in the gardens.

Sponsored by Commercial Union.

Theatre

Labours of a modern-day Machiavelli

Poor Niccolò Machiavelli. Across the centuries this patron saint of image consultants has had about as bad a press as it is possible to have and in *Changeispeak's The Prince*, at the Young Vic studio, he once again comes in for the old "demon eyes" treatment.

He appears here in the guise of Nicholas Maitland, ostensibly a resting spin doctor and political legend who offers his services to a fresh-faced new-Labourish campaign manager after a chance encounter in a street brawl.

Old Nick soon sets to work transforming the well-meaning but ineffectual party into a lean, mean fighting machine, but truth and ideology are early casualties on the road to success.

This is well-trodden territory and the potential for mind-numbing cliché is great, but Simon Blake, the writer and director of this piece, certainly knows a beautifully turned phrase when he sees one.

The writing is sharp and well observed and the dialogue comes at us like a runaway train - unfortunately at times it seemed as if some of the cast were still running alongside trying to jump on board.

Blake puts large sections of Machiavelli's original treatise into the mouth of his dark angel, Maitland, and it is interesting, although perhaps unsurprising, to see how apposite many of his observations have remained.

There is the occasional jarring note in this smooth flow of rhetoric, such as Maitland's oft-repeated maxim "speed

kills". What does this mean in this context? We don't have time to spot and find out.

The plot contains all the ingredients one would imagine: political and personal betrayal; sexual scandal; dodgy arms dealing and political jockeying.

The young campaign manager soon finds that he has selected far too short a spoon for his supper with the Devil and his leader quickly finds himself a "prisoner of his own script". Pretty phrases and the colour of his tie have become more important than policy. As election day approaches skeletons start coming out of cupboards and Nick is sent in to neutralise the nasty odours.

The company uses visual, physical and musical elements to enhance the story.

For the most part the performers serve both the style and the story well. Penny Stuttaford in particular, as the opposing PR woman, was a vision of conservative calm.

The possible exception is George McAllister as the Prince of Darkness. Played as a sluggish imp, a cross between Malcolm McLaren and Oliver Reed, his delivery was sometimes stilted and his lurkings seemed over contrived.

Simon Blake and his company must, however, be applauded for their bravery in tackling such a huge and complex set of subjects with considerable energy and verve.

Sam Albasini

The Prince plays at The Young Vic, London SE1 (0171 928 6363) to August 2.

INTERNATIONAL ARTS GUIDE

■ AVIGNON

THEATRE
Avignon Festival
Tel: 33-4-9014 1414
● Amphitryon: by Molière. One of two productions brought by Anatoli Vassiliev as part of a Russian season. Cast includes Valérie Dréville; at the *Eglise des Célestins*; Jul 23, 25, 26, 27.
● *Chambre d'Hôtel dans la Ville de Nîmes*: adapted from Gogol and directed by Valeri Fokine; at the *Usine Volponti*; Jul 23, 25, 26, 27

■ BERLIN

EXHIBITIONS
Museum für Moderne Kunst, Martin-Gropius-Bau
Tel: 49-30-2548 6714
The Age of Modernism - Art in the Twentieth Century: comprehensive survey which presents the art of this century in four self-contained sections. Beginning with the explosion of Cubism and the crisis of the avant-garde, the exhibition includes works by Picasso,

Duchamp and Kandinsky as well as younger and contemporary artists; to Jul 27

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Symphony Orchestra: conducted by Andrew Davis in the world premiere of *Sea-Change* by Iannis Xenakis, and works by Prokofiev and Strauss. With pianist John Lill; Jul 23
● Paul Daniel conducts the Chorus of Opera North and the English Northern Philharmonia in Stravinsky's *Petrushka* and a semi-staged London premiere of Korngold's *Violanta*, directed by Nigel Lowery; Jul 24
● Sir Peter Maxwell Davies conducts the BBC Philharmonic in the world premiere of his new work *Sails in St Magnus I*, inspired by his friend the poet George Mackay Brown. Vassily Sinalsky conducts works by Beethoven and Shostakovich. With pianist Stephen Kovacevich; Jul 25

■ NEW YORK

Lincoln Center Festival 97
Tel: 1-212-875 5030
CONCERTS
● The Intimate Pitzner: musicians of the Center's Chamber Music Society, the Orchestra of the Royal Opera House and the NY Philharmonic join forces to present this evening of chamber music and songs by Hans Pitzner, at the Alice Tully

Hall; Jul 23
● Pomerium: a cappella early music ensemble presents a pair of concerts designed to complement the festival's presentation of Pitzner's opera. "Before the Council of Trent"; Jul 20, featured music by Palestrina and his predecessors. "After the Council of Trent"; Jul 27, places his music alongside that of his contemporaries; Alice Tully Hall

OPERA
Palestrina: by Hans Pitzner: the Metropolitan Opera House is the setting for the New York debut of London's Royal Opera and US premiere of Pitzner's opera, which tells the story of 18th century composer Giovanni Pertugi da Palestrina. Tenor Thomas Moser leads a cast of more than 40 in this production, seen at Covent Garden earlier in the year. The conductor is Christian Thielemann; Jul 24, 25

■ ROME

CONCERTS
Accademia Nazionale di Santa Cecilia
Tel: 39-6-6880 1044
Orchestra and Choir of the Accademia Nazionale di Santa Cecilia: conducted by Yuri Temirkanov in works by Borodin, Rachmaninov and Prokofiev; with piano soloist Dmitri Alexeev and contralto Larisa Djakovica; Jul 24, 25

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
CONCERTS

● *Camerata Academica Salzburg*: conducted by Sándor Végh in works by Mendelssohn and Beethoven. With violin soloist Joshua Bell; at the Grosses Festspielhaus; Jul 25
● *Vienna Philharmonic Orchestra*: conducted by Seiji Ozawa in works by Berlioz and Schumann. With mezzo-soprano Susan Graham; at the Grosses Festspielhaus; Jul 26, 27

OPERA
● *Die Entführung aus dem Serail*: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzchor; Jul 26
● *Mitridate Re di Pontico*: by Mozart. Conducted by Roger Norrington in a new production directed by Jonathan Miller, with sets by Peter J. Davison. Bruce Ford sings the title role. With the Camerata Academica Salzburg; at the Kleines Festspielhaus; Jul 23, 27

THEATRE
● *Der Alpenkönig und der Menschenfeind*: by Ferdinand Raimund. Revival of Peter Stein's production, with sets by Ferdinand Raimund. With music by Wenzel Müller; at the Landestheater; Jul 23, 24
● *Libussa*: by Franz Grillparzer. New production directed by Peter Stein, with sets by Moldale Bickel. Libussa is played by Dörte Lyssowski; at the Perner-Insel; Jul

24, 25, 26, 28

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● *Arabella*: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Jul 23
● *Ashoka's Dream*: world premiere of Peter Lieberman's opera, with a libretto by Douglas Penick. Set in ancient India, it tells the story of King Ashoka's transformation from angry conqueror to enlightened governor. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Jul 26
● *Semarle*: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Jul 25

■ SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
● *Festival Orchestra*: conducted by Hartmut Haenchen in works by Brahms; the Stadium, Stade; Jul 23
● *Bamberger Symphoniker*: conducted by Horst Stein in works by Brahms and Döhl. With piano soloist Rudolf Buchbinder; Musik- und Kongresshalle, Lübeck; Jul 24
● *Philharmonie der Nationen*:

conducted by Justus Frantz in works by Schubert, Grieg and Rachmaninov; at the Holstenhalle, Neumünster; Jul 26
● *Norwegian Chamber Orchestra*: conducted by Iona Brown in works by Bach and Nordheim; at the Dom, Meisdorf; Jul 27

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● *Boston Symphony Orchestra*: conducted by André Previn in works by Mozart, Haydn and Ravel, with violin soloist Pamela Frank; the Shed; Jul 25
● *Boston Symphony Orchestra*: conducted by André Previn in works by Gould, Copland, Schumann and Gershwin, with clarinet soloist William R. Hudgins; the Shed; Jul 26

■ VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● *Madama Butterfly*: by Puccini. New production. Conducted by Angelo Campori, with designs by Beni Montresor; casts vary; Jul 23
● *Aida*: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attandoli; Jul 24, 27
● *Carmentis*: by Bizet. Conducted by David Gimenez, in a staging by Franco Zeffirelli. Agnes Baltsa and José Carreras recreate their famous double-act on Jul 19, 22 & 25

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COMMENT & ANALYSIS

A voice for the valleys

Liam Halligan on the pros and cons of Welsh devolution

On the constitutional Richter scale, creating a Welsh assembly ranks far lower than establishing a Scottish parliament. But because the outcome of the Welsh referendum appears to be less certain, with the government facing the real possibility of an upset, the campaign is likely to be fought more viciously.

That campaign began officially yesterday with the publication of the white paper - A Voice for Wales - which sets out detailed plans for a directly elected Welsh assembly in Cardiff. This is the first step in a process which will modernise and improve the British constitution," says Mr Ron Davies, Welsh secretary.

But unlike the proposed Scottish parliament, which could have limited powers to raise income tax rates, the Welsh body would have to settle for a block grant allocated by London.

"Ron [Davies] will be reduced to a bookie's runner, taking messages from Cardiff to Westminster and back again," says Mr Nicholas Bourne, a Conservative who sits on the steering committee of the Welsh "Just say No" campaign.

The government shrugs off such criticisms, pointing to recent opinion polls which suggest the Welsh will vote marginally in favour of devolution on September 18. But Labour is well aware that the Welsh business community, which helped secure the four-to-one rejection of devolution in 1979, remains sceptical.

The Welsh CBI is particularly concerned that Wales' success in attracting some £10bn of inward investment over the past 15 years could be compromised. "An additional layer of government indicates an extra tier of bureaucracy," says Ms Elizabeth Haywood, director of CBI Wales.

Ministers claim the assembly, which will comprise politicians from all parts of Wales, will be able to reach speedy business decisions. "The assembly will not only be business-friendly, but business-oriented," says Mr Peter Hain, Welsh office



Ready to go: Robert Hodge, a leading figure in the anti-devolution campaign

minister. "It's about bringing Whitehall to Wales and making it more accessible."

Supporters of devolution, such as Professor Kevin Morgan at the University of Wales, say that Europe's most successful regions - such as Catalonia and Baden-Württemberg - have elected assemblies. "These governments are more empowered than any UK institution to develop tailored strategies for business and economic growth," he says.

But Professor Kent Matthews, from the same university, says that because the assembly will "be open to nationalist influences," it could be politically unstable. "They'll want to make it into a doing shop, rather than a talking shop - leading to the conflicts that business abhors."

Prof Matthews argues that while the assembly would give Wales "special regional status allowing it to apply to Brussels for numerous grants", the potential to secure such finance is diminishing. "The trend in the EU now is towards enlargement... rather than regional development."

Business also worries that the assembly, once constituted, would press for tax-raising powers. "The white paper has ruled this out," counters Mr Hain. "And the

assembly could only raise tax after primary legislation from Westminster."

Beneath the constitutional tremors, the arguments over Labour's "bonfire of the quangos" - the proposals detailed in the white paper to abolish more than half of Wales' 80 unelected government agencies over the next three years. Overhauling the Welsh quangoocracy - a highly influential network controlling a third of the principality's £7bn budget - is likely to provoke untold political squabbling.

Much of the responsibility for economic development in Wales is devolved to the Welsh Development Agency - the most influential quango of all - an arrangement which Labour sees as undemocratic. Mr Davies says that even though there is not one Conservative among the 40 Welsh MPs, spending priorities on roads, schools and housing are largely determined by quango bosses appointed under the last government.

"There is deep anger and frustration that we are still presided over by Tory placemen and women," he says. "Quangos are the public face of the corruption of our public life."

The white paper proposes scrapping nine quangos as a first step, with another 20 being disbanded after assembly elections in May 1999. "A lot of quangos will be culled and others will be brought under the control of the assembly," says Mr Hain. "Once they are no longer controlled by the secret cabals of failed Tory politicians, we will have filled the Welsh democratic deficit."

Under the devolution plans, the assembly will have responsibility for all public services currently run by the Welsh office - including health, education, and agriculture, but not social security or law and order. The government, while adamant that the assembly will be good for the economy, accepts that the quango overhaul will result in some job losses.

Several opponents of devolution - not all of them Conservatives - say public concern over the quangos' unaccountability does not justify devolution. "The government could scrap the quangos by repealing their status at Westminster. Instead of giving their functions to an assembly," says Mr Llew Smith, Labour MP for Blaenau Gwent.

But ministers remain confident the Welsh will vote for devolution anyway. "Attitudes have changed since 1979," Mr Davies says. As his opponents will be reminding him, he was a No campaigner last time around.

LETTERS TO THE EDITOR

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British people need informed debate on single currency

From Mr Keith Hill MP, and others.

Sir, Our decision on whether or not we join the single European currency, now or in the future, will have a major impact on the UK's future prosperity. To get this vital decision right, the British people need to be properly informed about the arguments on both sides. Unfortunately, the debate on the single currency in the UK so far has been conducted in an atmosphere of ignorance and prejudice.

The government is to be congratulated for publishing a paper setting out the advantages and disadvantages of British membership of the single currency, and urging a wider national debate. A Gallup poll just released by the European Movement shows 91 per cent of the population support publication of such a paper.

Contrary to Eurosceptic propaganda, the poll also shows British people to be open-minded about the single currency. They want to hear the arguments before they make up their minds. There is all to play for in this debate, and the positive arguments need to be communicated to people who until now have only heard the case against.

In principle, membership

of a sensibly constructed single currency offers significant advantages to Britain. Lower interest rates, lower inflation, greater stability for business, and increased inward investment - all helping to create jobs - are likely consequences of joining the euro in the future. Equally, if the UK decided not to join, the consequences could be damaging, reducing investment and harming employment.

Without a full national debate, the British people will not be able to make up their minds on the merits of the issue.

Keith Hill, chairman, Labour Movement in Europe, Giles Radice MP, Cahir MacDonald MP, Ann Clwyd MP, Bill Russell MP, Stephen Timmins MP, John Hume Robertson MP, Anne Campbell MP, Stephen Pound MP, Barry Gardiner MP, Stuart Bell MP, Duncan Campbell MP, Mike Gapes MP, Ben Bradshaw MP, David Kidney MP, Roger Casale MP, Barry Sheerman MP, Hugh Bayley MP.

European Movement - United Kingdom, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF, UK

Competition in aerospace must be fair and rational

From Professor Philip Lawrence and others.

Sir, Your editorial on the Boeing/McDonnell Douglas merger ("Brussels on the brink", July 21) overlooks some critical issues in the EU response to the proposal. In the early 1990s the head of General Dynamics, Bill Anders, foresaw consolidation in the US defence/aerospace sector as likely to produce "One gorilla, two chimpanzees and six marmosets".

In 1997, we now know this was a conservative estimate - \$100bn-worth of merger later and we have something much closer to three enormous gorillas. The largest of these creatures is the new Boeing with projected sales of \$48bn.

In global terms it is not unreasonable to be concerned about this concentration of market power. Although Airbus has excellent market share its percentage of aircraft in service is low. The key issue posed by the merger is not McDonnell Douglas's market share, but rather its aircrew in service and the likelihood of customer loyalty if their commercial operation is revitalised.

On a wider canvas no one should underestimate what the mercantilist agenda is for the Clinton administration in high technology industries. Consolidated US

Aerospace Inc is a platform for global domination of aerospace and defence. The new Boeing will be a force in commercial large jets, space and fighters. Its financial strength in itself will have an impact on its competitive relationship with Airbus.

Of course Airbus will survive but that is not enough. On the basis of the quality of the product Airbus can attain 50 per cent of the market. But Boeing market power can preclude that. Interventions by Karel van Miert, the competition commissioner, are about securing a fair and rational competitive environment in global aerospace.

Philip Lawrence, director, Aerospace Research Group, University of the West of England Bristol, Dr Anders Hansson, senior science consultant, Reaction Engines Ltd, Professor Dieter Schmitt, department of aeronautical engineering, Technical University of Munich, Dr Derek Braddon, associate director, Centre for Social and Economic Research, Bristol, Mr Horst Prem, consultant, Ludwig Boltzmann Foundation, c/o Frenchay Campus, Coldharbour Lane, Bristol BS16 1QY, UK

Structural change needed in UK to meet blurring of financial edges

From Professor Warren Edwards.

Sir, The development of cross derivatives has raised concerns over the legality of such structures when carried out by banks. Under the Insurance Companies Act 1982 only companies authorised by the Department of Trade and Industry can carry out "insurance business".

But banks such as NatWest have been writing insurance policies on interest rates (Caps) for a decade. While such business may have caused banks a few

problems, the business has been quite legal under the Financial Services Act 1986. It is regarded as "investment" business and not "insurance" business.

But most derivative markets, when explaining Caps to clients, have quite correctly referred to them as interest rate insurance policies.

With the emergence of Scottish Widows Bank, Prudential Bank, Midland Life and Britannia Life, the distinction between insurance, banking and building society

business has been blurred and should be abolished by the new unified Securities and Investments Board.

There should just be all-purpose financial institutions with supervision based on risk-adjusted capital base, and shareholder approval with protection for retail clients.

Warren Edwards, managing director, Delphi Risk Management, 3 Hyde Park Steps, London W2 2TQ, UK

Reassuring

From Mr Nicholas King.

Sir, The BBC reports that Lord MacAlpine has been appointed leader of the Referendum Movement and will be "calling a meeting of leading figures... to decide on the next steps". Also, "a new constitution for the movement has been prepared, but not circulated to members".

How reassuring that a rich and influential group, committed to democracy, has appointed itself to watch over the UK's constitution.

Nicholas King, Central Medical Computers, 33 St James's Square, Bath BA1 2TQ, UK

Caught in the current

As sterling's strength makes exporters struggle, Robert Chote argues that the UK chancellor must grin and bear it

Mr Bill Phillips, a former cinema manager and crocodile hunter from New Zealand, spent the summer of 1949 locked in a garage in Croydon. There he built a vast hydraulic model of the UK economy from perspex tubes, fishing wire and windscreen-wiper motors from a Lancaster bomber.

Coloured water flowed through its valves and sluices, mimicking the way money circulates round the economy. The "pink lemonade national income machine" became a valuable, if unorthodox, teaching aid at the London School of Economics, where Mr Phillips became a professor.

One demonstration was particularly entertaining. One student would be appointed chancellor and put in charge of the valve which regulated the public finances. Another would be made governor of the Bank of England and handed control over interest rates. Disaster followed as their unco-ordinated policies sent water flooding everywhere.

For now this lesson seems to have been forgotten. Mr Gordon Brown, the UK chancellor, has split responsibility for fiscal and monetary policy between himself and the Bank. Budgetary policy is supposed to stabilise public sector debt and ensure that the government borrows only to finance investment. The Bank has been left to pursue Mr Brown's inflation target by setting base rates so that demand for goods and services does not outstrip the economy's ability to supply them.

This demarcation of responsibilities takes no account of the way the mix of monetary and fiscal policy affects the exchange rate - and so how economic activity is spread between industries exposed to international competition and those sheltered from it. But leaving the tradeable sector to bear the burden of disinflation may reduce the long-term growth rate the econ-

omy can sustain before rising imports trigger balance of payments problems.

Mr Brown's only formal statement of exchange rate policy so far is that he would like a "stable and competitive pound in the medium term". On the morning after his July 2 Budget, he said nobody could be happy with the 18 per cent rise in sterling since August. But beyond insisting that he had the mix of monetary and fiscal policy right, there was little else he could do.

Since then the pound has continued rising, aggravating the economic imbalance the chancellor inherited from Mr Kenneth Clarke, his Conservative predecessor. At a time when the Treasury estimates that the economy's spare capacity is all but exhausted, consumer spending is rising at its fastest rate since the boom of the late 1980s - driven by strong growth in post-tax personal incomes and £58bn (£58.45bn) in "windfalls" from building society flotations. Manufacturers meanwhile face weak export orders, with engineering companies recording their biggest fall in output for a decade in May.

Disappointment that Mr Brown did not do more in his Budget to restrain consumer spending propelled the pound higher by cementing expectations that the Bank would raise interest

No one knows how high rates will need to be raised to slow economic activity and safeguard the inflation target

rates in coming months. No one knows how high rates will need to be raised to slow economic activity and safeguard the inflation target.

But with no track record and everything to prove there is an obvious danger of overkill as the monetary policy committee is likely to err on the side of caution.

Sterling's ascent has been dramatic even by the standards of the appreciation between 1979 and 1981 that wiped out a fifth of British manufacturing. Since its low point last August, the pound has risen by almost 26 per cent against a trade-weighted basket of currencies. At this stage of the 1980 appreciation sterling had risen only 18 per cent, reaching a peak increase of 28 per cent five months later.

As in the early 1980s, sterling's strength has been slow to show up in the published trade figures. Exporters have sacrificed profit margins, but the Treasury estimates that their price competitiveness is worse now than at any time since 1981. Mr Kevin Darlington, at ABN Amro, calculates that the labour costs of UK manufacturers have risen 35 per cent relative to those of Germany over the past year and 18 per cent since 1991.

Mr Jim O'Neill at Goldman Sachs thinks productivity differences and national price levels justify an exchange rate for the pound of DM2.50, suggesting an overvaluation of about 20 per cent. This tallies with other analysts' estimates of sterling's "fundamental" exchange rate. The dollar may be overvalued to a similar extent, but this has less impact on the domestic economy in the US because it is less open to trade.

Expectations of higher interest rates and fears that the D-Mark will be subsumed into a weak euro probably explain much of sterling's strength. As a result, HSBC James Capel estimates that "hot money" inflows to the UK have accel-

erated to an annual growth rate of about 15 per cent. In addition, a speculative bubble may be exacerbating the pound's strength.

Mr Gerard Lyons, at DKB International, argues that the government could puncture this bubble and reduce the overvaluation by selling sterling. Under the new regime, Mr Brown can still order the Bank to intervene in the foreign exchange markets provided that the impact on the domestic money supply is "sterilised" by extra sales or purchases of UK government bonds.

"If the Bank intervened aggressively, it could deter hot money flows at a time when many people already accept that the pound is overvalued," Mr Lyons says. Murmurs that this might be happening pushed sterling below DM3 last week, but since then it has climbed back to more than DM3.04.

Experience suggests that intervention can help prick speculative bubbles when foreign exchange dealers leave themselves exposed. But in the long term, intervention is likely to be ineffective unless interest rate policy is seen to be pointing in the same direction. And under an independent Bank, there is no guarantee of that.

Mr Simon Wren-Lewis, professor of economics at Exeter University, argues that the chancellor could reduce the pound's speculative froth simply by stating what he believes would be a sensible rate. But he adds that the Budget was "a wasted opportunity" to get monetary and fiscal policy better in line.

With the Budget opportunity post and interest rates in the hands of a neophyte monetary committee, Mr Brown is left hoping for a "stable and competitive" pound with no obvious means to achieve it. Jawboning and intervention may provide some relief, but having made his bed, the chancellor and Britain's exporters may just have to lie in it.

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Wednesday July 23 1997

Peace offer from Boeing

Boeing has blinked. This means the European Commission has obtained its demands and should promptly approve the proposed merger between the US aerospace giant and McDonnell Douglas. Yet it must also avoid the least hint of vainglory. The Commission has taken a huge gamble for an uncertain reward. It may have won. But that does not mean its policy has been wise.

The Commission had objected to three features of the proposed merger: that the combined company would have produced 84 per cent of the world's stock of civil aircraft; that Boeing would gain access to government-funded research that could be used in civil manufacture; and that Boeing had signed 20-year single supplier deals with three US airlines. Agreement had already been secured on the first two. Yesterday, Boeing offered to drop the exclusive contracts as well.

Some in the European Union will see this as a triumph. The truth is very different. The decision by the EU to intervene in a merger between two US companies with minimal European assets was provocative. The objection to the long-term supply contracts between Boeing and the US airlines looked like an attempt merely to protect the position of Airbus. If so, this was industrial policy masquerading as competition policy.

While the long-term contracts were the most difficult of the

three issues to resolve, the Commission's position on the other two was far from persuasive. Boeing's historic dominance of aircraft sales is such that the addition of McDonnell Douglas is a relatively marginal matter. As to the military research and development, it seems to have escaped the attention of most European observers that Boeing triumphed in its confrontation with its domestic rivals despite being – perhaps because it was – the least engaged in military, rather than civil, production.

Yet, on the basis of this strikingly flimsy case, the EU was prepared to take the issue to the brink of a conflict with incalculable consequences for the fabric of transatlantic relations. Indeed some of the Commission's supporters seem actually to have wanted this dire outcome. Fortunately, they have been disappointed of their hope.

The case of the Commission versus Boeing may now be settled. Fortunately, it also seems unlikely to set a direct precedent, since the structure of this industry is in many ways unique. Yet serious worries remain. Concern for the fate of particular industries can too easily taint competition policy; and the resultant virility display can also threaten transatlantic relations.

That things seem to have worked out this time does not allay those concerns. On the contrary, it may encourage more such risk-taking in future.

Pluralist politics

A welcome gust of democracy is blowing through Westminster. The government's white paper on devolved government in Wales has been accompanied by the news that the Liberal Democrats are to be given an unprecedented role in shaping Mr Tony Blair's constitutional agenda. A white paper on Scottish devolution will follow tomorrow, with plans for a new elected authority for London to be published next week.

This burst of activity tells us that Mr Blair is serious about remaking Britain's political geography. After two decades in which power has been hoarded in Whitehall and Westminster, the mood of the moment is for decentralisation and pluralism.

It may be said that the invitation to Mr Paddy Ashdown and his colleagues to join a new bipartisan cabinet committee was a cost-free gesture for Mr Blair. The Liberal Democrats will have a voice in government but no real power. Mr Ashdown also risks tying his party's fortunes too closely to that of the government.

But this was a gesture that the prime minister had no need to make. With a parliamentary majority of 179 and the Conservatives in post-election shock he could quite easily have followed the advice of those in his cabinet who would have preferred to see the Liberal Democrats quietly sidelined.

Instead Mr Blair has made good on his pre-election promise to break out of the old tribal boundaries of politics. The potential prize for his government is a broad coalition of the centre-left which will leave the Conservatives isolated and powerless in their opposition to political reform.

The new committee also ensures the government will keep its promises on electoral reform. An independent commission will be established in the autumn and its conclusions submitted later to a referendum. Mr Blair has signalled he is still against replacing the first-past-the-post arrangements for the House of Commons with a proportional voting system. But the nation will be able to make up its own mind.

The plan for an assembly in Wales should be viewed in the same spirit. In isolation, the argument for a separate elected body in Cardiff is not conclusive, although something had to be done to bring the plethora of Welsh quangos under democratic control. But in the broader context of Mr Blair's agenda to disperse political power from Westminster, it is hard to see why Wales should deny itself a strong local voice. The case for political pluralism and enhanced local democracy has never been stronger. It has come an important step closer.

Mideast moves

By successfully relaunching talks between Yasser Arafat, the Palestinian leader, and David Levy, Israel's foreign minister, in Brussels yesterday, the European Union is helping to fill the current void in Mideast peace diplomacy.

The two men had not met since April, and the two sides had not talked publicly since March, when they fell out over Jewish settlements in Arab east Jerusalem. In brokering yesterday's apparent progress, the EU has compensated for the absence of any new US initiative to break the deadlock.

There has been, to say the least, a hiatus in Washington's Mideast peace diplomacy. Its special mediator, Mr Dennis Ross, has not been in the region since April. Mrs Madeleine Albright, secretary of state, has focused on other areas of foreign policy – perhaps considering them more fruitful. It had begun to seem as if President Bill Clinton would do nothing to offend the US pro-Israel lobby – which might jeopardise the chances of his friend and vice-president Al Gore succeeding him in 2000.

Europe's initiative, however, may spur Mr Clinton into action. Mr Benjamin Netanyahu, the Israeli prime minister, said this week that he would send an adviser to Washington to discuss new "bridging" proposals. He appears to have in

mind some way of jumping more rapidly to the final settlement, envisaged by the 1993 Oslo accords, without first pulling back Israeli troops as much as the Palestinians want.

The trouble is that no further progress is likely until Israel agrees to at least a *de facto* freeze on new building in Jerusalem and the West Bank. This is a step that only the US – as its closest ally – can persuade Israel to take. The EU may be Israel's largest trading partner, as well as the largest aid provider to the Jewish state and has not always been able to agree on a common approach.

However, geography gives the EU at least as strong an interest as the US in a lasting settlement. It also has political cards to play. It has managed to express support for a Palestinian state whilst maintaining relatively even-handedness, even though President Clinton briefly marred this image with his stormy visit to Israel last year.

The EU's special envoy, Mr Miguel Angel Moratinos, made good use of his access to all sides in helping engineer this year's Hebron agreement. He should continue his efforts. The EU cannot replace the US as a mediator, but by its own persistence can goad Washington back into action.

Sitting in his stylish modern office and wearing a dark suit and pin-striped shirt, Mr Dominique Strauss-Kahn looks more like an investment banker than a senior figure in France's new Socialist government.

Yet Mr Strauss-Kahn, the minister for economy, finance and industry, this week unveiled a set of budgetary measures that have outraged the country's business community. Among other things, his budget for 1997 will raise company taxes on capital gains and profits to 41.6 per cent – one of the highest rates among leading industrial nations.

That has left some in France wondering whether Mr Strauss-Kahn's arrival in office heralds a return to old-style European socialism. For them, some of his early decisions have undermined his reputation as a moderate politician sensitive to corporate needs and responsive to the evolutions of an increasingly competitive world.

In an interview this week, Mr Strauss-Kahn appeared keen to play up the new administration's pragmatism. "The government holds neither the view that the state should no longer play any role in the economy – especially on budgetary matters – nor the idea that public expenditure is always effective."

Nonetheless, he believes the government has a duty to encourage a consumption-led recovery in investment and growth. A graduate of HEC, France's top business school, and a minister in former Socialist governments, he also sees a redistribution of wealth from companies to employees as one way to achieve this.

Mr Strauss-Kahn says the previous administration led by Mr Alain Juppé weakened growth by measures such as raising value added tax in 1995, which depressed consumer spending. His budget – coupled with a recently announced increase in the minimum wage and job-creation programmes in the public sector – will help raise consumption, he argues.

But how does this week's decision to penalise business square with the need to increase corporate investment, which has been disappointingly low? "Interest rates in France are today the third-lowest in the world," he says. "Corporate resources are particularly large. But companies did not invest much last year or at the start of this year, so something must be missing. If it's not cash, it's anticipation of demand."

He is keen to play down the negative impact of his measures on business. He holds up a graphic suggesting that the French corporation tax take as a proportion of gross domestic product is among the lowest in the industrialised world – although the figures exclude the heavy social security charges levied on company payrolls.

He stresses that small companies will be exempted. For the rest, the additional levy will start to be reduced from 1999. "The measures reflect the fact that we

The FT Interview • Dominique Strauss-Kahn

Pragmatism at any price

France's finance minister tells Andrew Jack and David Owen how he plans to balance social pledges with European commitments

"The government holds neither the view that the state should no longer play any role in the economy, especially on budgetary matters, nor the idea that public expenditure is always effective, regardless of its level and use"

"It is better to have more public expenditure and a deficit than a country that spends less, but more wastefully"

"For currency stability, control of inflation and interest rates, France is among the best qualified"



want to be part of the euro... To finance [that ambition] we are using yesterday's and today's profits, but not those of tomorrow."

Yet there is an obvious tension between Mr Strauss-Kahn's belief in the role of the state and the practical obligations imposed by France's commitment to participate in European economic and monetary union. On the one hand he says that the effectiveness of government spending is "perhaps more important" than its overall level. "It is better to have more public expenditure and a deficit than be a country that spends less but more wastefully." But on the other, he says: "It is desirable for a country like France to reduce its deficits. Over the years to come, we must continue to cut them."

This week's deficit-reduction package could be interpreted as a continuation of the previous Gaullist government's policy priority of reducing the public deficit below the 3.0 per cent of GDP required by Maastricht.

But there are two nuances to the Socialist's approach, or at least in the way Mr Strauss-Kahn and his colleagues are selling the planned single currency to the French electorate. The first involves highlighting the role the euro might play in tackling the country's record unemployment level, one of the new government's campaign priorities. "Europe is a field of co-operation which can considerably boost the effectiveness of [national] economic policies in providing growth and jobs," he says.

The second lies in the government's more flexible understanding of the Maastricht treaty,

namely that countries may still be eligible for the single currency even if they report a deficit in excess of 3 per cent of GDP for 1997. "We have always said that our interpretation of the treaty is that we must have a trend towards 3 per cent," he says.

While the German government officially takes a tougher view on the 3 per cent limit, France seems to be betting that its neighbour's own difficulties will encourage it to adopt a more flexible interpretation. "We will be at least as eligible as our partners to qualify for the single currency," says the minister.

He concedes that France may not achieve 3 per cent this year, although it will do so in 1998, he says. "Perhaps if my predecessors had kept their promises and implemented 1997 on the basis of 3 per cent, we could have prepared 1998 with an even better result. But that is not the case," he says. "I'm taking over with a deficit of 3.5 per cent. I will cut it as close as possible to 3 per cent. In any case, the budget of 1998 is on the basis of 3 per cent."

But he says that GDP growth – projected to be 2.3 per cent for 1997 – has accelerated sharply in recent months: the final deficit figure may be better than expected. He predicts that by the end of this year, GDP will be rising at an annual rate of about 3 per cent.

The minister is keen, however, to divert attention from the deficit target, which he stresses is one of five criteria in the Maastricht treaty. "For currency stability, control of inflation and interest rates, France is among the best qualified. It is the same for the overall level of public

debt, where even our German friends exceed the target," he says.

"There are some economists who argue that the overall level of debt is more important than the annual deficit, and that the ratio of debt to GDP is more important for the burden imposed on future generations," he says. "As an economist, I am in this school of thought. You can criticise the creative accounting that takes place with deficits. It cannot happen with the debt, which shows the reality of an economy."

Another important question is the extent to which economic realities will lead the government to carry on with the privatisation of state enterprises, in spite of the opposition of its Communist coalition partner. Mr Strauss-Kahn rejects the previous government's "systematic ideology" of privatisation. "We need to be pragmatic," he says, arguing that sell-offs should only take place if they are in the "national interest" or the interest of the individual company.

"As the prime minister said in June, there is no reason to sell publicly owned companies which are performing well. When there is no reason, they will not be sold."

On France Telecom, which some ministers expect to be partly privatised this autumn, he confirms the government is consulting the employees. "Their views will not determine the outcome, but a decision cannot be made without taking their views into account."

In the case of companies where a recapitalisation has been agreed with the European competition authorities on condition they are privatised – such as the insurer GAN – the agreements will be respected, he says. "But in long-term situations, such as Air France or Crédit Lyonnais, [the agreements] could be renegotiated."

As for one of the Socialists' other principal election pledges – reduced working hours without any cut in pay – he stresses the distinction between the "slogans" of the campaign from the details of how they will be put into practice. "There will not be an overall reduction in the total amount of hours worked in the economy. What we want is a redistribution, with an overall increase."

He calls business fears "a bit exaggerated", stressing that the government will emphasise voluntary negotiations and flexibility.

"I sincerely believe that the long-term perspectives for France will be very good because we are an economy in which many structural reforms have not yet taken place – in the banking sector, the labour market, the social protection system and so on," he says.

"Our margin for adaptation is much more than neighbouring countries which have already carried out their reform, not necessarily with very impressive results. The path is narrow, but I am happy that there is a path. Compared with the situation [outgoing] Juppé government found in 1995, the challenge of redressing the fiscal situation ahead of us is much less significant."

OBSERVER

Out of the running

Yesterday's news that there won't be a Portuguese Grand Prix this year should send a shiver of unease well beyond the Estoril race track.

Five lavish motor racing circuits are just built or under construction – in Malaysia, South Korea, China, Indonesia and Turkey – and are virtually guaranteed grands prix for next year or 1999. Add the European threats to curb tobacco sponsorship, and Europe must expect some of the 12 rounds it usually hosts in the 16-race championship to go up in smoke.

Motorsport's governing body FIA pulled this year's Portuguese race because a \$6m track improvement couldn't be guaranteed on time, and awarded the race to Spain. A government proposal that Estoril could be a 17th race was rejected by the racing teams – they think 16 gruelling outings a year are quite enough. If that line holds, something will have to give when the new circuits come on line.

The wheel turns

Yesterday's takeover of Dobbs Automotive by Wayne Huizenga's Republic Industries

brings US car dealing full circle. The Memphis outfit, founded in 1921 as Hull-Dobbs, was credited with inventing "the System" – the way much of the industry moved metal in the 1950s and 1960s. Punters were passed from salesman to salesman, and given the impression that there was some real bargaining going on, while in reality the price was being pushed ever upwards. A spell with the finance people would push the total up even higher.

Consumer power has seen these methods decline, and Huizenga, whose other corporate inventions include Waste Management and Blockbuster, has been at the forefront of the move towards fixed-price, no-haggle selling. So the company that reinvented car dealership is being taken over by the company that has reinvented it all over again.

Après Nato...

Russia's many believers in devils, geomancy and the sixth dimension won't have been surprised yesterday when a team of Moscow astrologers came out with an explanation for the unseasonal floods inundating several former Communist countries in central Europe.

Alexei Mitrofanov, who chairs the Russian parliament's committee for geopolitical

affairs, says the astrologers are adamant that the rains were triggered by Nato's decision at its Madrid summit two weeks ago to admit the Czech Republic, Hungary and Poland.

"According to the astrologers, what happened in Madrid disturbed the spirit of Stalin," Mitrofanov's office said. Maybe it's just as well Nato didn't take up France's suggestion to let in Romania and Slovenia as well. And the admission of a Baltic state would surely have been the cue for Stalin to rise from his grave beside the Kremlin wall and perform a rain dance on Red Square.

Motta mouth

Brazilian president Fernando Henrique Cardoso seems to have lost patience with communications minister Sérgio Motta who, with the stock market heading south on devaluation fears last week, tangled with Cardoso's economic advisers. The market promptly dropped further.

Motta dug himself deeper with a magazine interview in which he managed to criticise four ministerial colleagues, tick off the president for inviting a rival party leader to his home and describe Cardoso's choice for a government post in Minas Gerais state as "an embarrassment".

Cardoso summoned Motta to a

"dinner" to explain himself on Monday night, where it's believed the president applied a very strong gag. Some Brasília insiders think he might be for the chop, but he's been one of the president's closest supporters since they met in São Paulo in the early 1970s. His acute political antennae are of great use to Cardoso and, as the government's main fixer until recently, he probably knows where too many bodies are buried to be turned loose.

Golden goodbye

After last week's upheavals at AT&T, it's refreshing to hear of a chief executive stepping down gracefully, and rewarding loyal employees into the bargain. Izzy Asper is about to give up the reins at Canadian broadcaster Canwest Global Communications, which also has extensive broadcasting interests in Australia and New Zealand.

To mark his departure, Canwest is handing out C\$1m to its employees, with individual amounts based entirely on years of service. Each will collect between C\$400 and C\$2,500. Asper has looked after himself, too. His salary and bonus came to C\$1.6m last year, his family remains Canwest's dominant shareholder, and Asper will continue to prowling the corridors as executive chairman.

Financial Times

100 years ago

A Brawling Barrister
What is the correct course for all parties concerned in such circumstances as the following? At a dinner party, after the ladies have retired, and while the gentlemen are peacefully discussing their coffee and cigarettes, one of the guests rises from his seat, crosses the room, and, without a word of warning, strikes one of his fellow guests a violent blow in the face... I suppose there is nothing for it but to leave the offender to the reprobation of all decently-conducted people. I may add that the foregoing is not a hypothetical case. The incident occurred, exactly as described, at a dinner party given a few nights ago at a private house in London.

50 years ago

Bombay Commentary
In Bombay, a new company has launched a broadcasting service, direct from the Stock Exchange, to the offices and homes of subscribers, which gives a non-stop running commentary on the market. An announcer in a special booth announces the quotations and the changes, without a break, much in the style of a running commentary on cricket. So that the listener has no need to wait more than a few seconds to know the precise quotation he may need.

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FINANCIAL TIMES COMPANIES & MARKETS

Wednesday July 23 1997

Week 30

Europe's electricity markets are being opened for competition.
Stagework, our energy subsidiary is taking advantage of this valuable opportunity.
VIAG. Creating enduring value.

IN BRIEF

Volvo reports strong first half

Volvo, the Swedish car and truck maker, reported higher first-half profits as losses at its North American truck subsidiary were offset by growth in its car division. Operating profits rose from SEK2.5bn to SEK3.9bn (\$500m). Page 18

PolyGram held back by film division

Strong album sales failed to lift the first-half profits of PolyGram, the world's largest music company, which is still grappling with losses in its film division. Page 18

Commercial Union buys stake in UFF

Commercial Union, the UK insurer, moved to strengthen its life operations in France with the acquisition of a 55.3 per cent stake in Union Financière de France for FF1.5bn (\$210m) from Crédit Agricole Indosuez. Page 21

Walt Disney up 18% in third quarter

Walt Disney, the US entertainment group, reported third-quarter net income up 18 per cent at \$472m. The company credited its creative content divisions - films, TV programming and retailing - and theme parks for the rise. Page 20

Dutch chemicals group to buy Veba unit

DSM, the Dutch chemicals group, agreed a £11m (\$46m) deal to buy and expand Vestolen, a unit of the German oil refiner Veba Oel, which is part of the Veba industrial group. Page 18

Ticket tax restricts US airlines

US airlines reported healthy results for the second quarter, although profits were dented by the reinstatement of a 10 per cent ticket tax on internal US flights. Page 20

Petron profits up 15% in first half

Petron, the Philippines' largest oil group, announced first-half profits up 13 per cent at 2.55m pesos (\$28m). Page 16

Banco Hispano to split shares

Banco Central Hispano, the Spanish banking group, plans to halve the nominal value of its shares to attract small investors. Page 18

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Chief price changes yesterday

Frank	53	+	8.90	Frank	164.20	+	9.30
che	2800	+	140	Sagen	3088	+	121
in-West	405	+	19	Sundt	551	+	18
le				Wells			
le	520	-	9	Deuts France-	577	-	12
NEW YORK (S)				TOKYO (Yen)			
tion	384	+	28	Wells			
				Sanyo	4300	+	130

NEW YORK (\$)

mal Nicks	371	+ 8	HK & Cable Gas	18.90	+ 0.90
stry Cole	1324	+ 15	HK Electric	31.60	+ 0.60
In			Phelan		
Always	628	- 34%	Army Props	8.05	- 0.10
right	674	- 7	Henderson W	8.25	- 0.15
a fall	229	- 8	Exposed Nicks	4.78	- 0.18
al Exp	68	- 27	Wing On	8.10	- 0.10

NEW YORK (\$)

NEW YORK (\$)	PARIS (FFr)
Alcatel	1800 + 25
Alcatel	425.00 + 25
Comptel	60 + 1.00
Comptel	2800 + 1.00
Comptel	400 + 1.00
Comptel	800 + 1.00

Firm appoints its first non-US worldwide managing partner

Andersen breaks with tradition

By Jim Kelly in London

Arthur Andersen, the international accountancy and professional services firm, will tomorrow appoint its first non-American worldwide managing partner in a significant break with the past.

The appointment of Mr Jim Wadia, the 49-year-old head of its UK practice, also signals Arthur Andersen's determination to reassure clients that it is unaffected by recent squabbles with its sister firm - Andersen Consulting.

"I am honoured to have been appointed to lead our 52,000 employees into the 21st century," said Mr Wadia, who emerged as the favoured candidate after extensive soundings were taken among the

firm's 1,700 partners. The appointment will come as a surprise to the partners, who were told by the outgoing managing partner, Mr Dick Measelle, aged 58, that he was retiring at a meeting in Paris earlier this year. No public announcement was made.

In a statement, Arthur Andersen said it had an "informal policy" that senior managers "divest themselves of firm-wide responsibilities" at 55 to clear the way for younger partners.

Mr Measelle, a tough manager with a macho managerial image which included running with the bulls in Pamplona, held the position for eight years. He oversaw growth in revenues from \$1.5bn in 1990 to \$5bn in the current fiscal year.



Jim Wadia: emerged as the favourite after extensive soundings of the firm's 1,700 partners

Mr Wadia has a reputation as a patient manager with a flair for solving problems. His appointment will be seen as increasing the chances that the problems between the two sister firms can be contained - if not entirely resolved.

His relative youth and cosmopolitan non-US background will be seen as strong indications of the kind of global brand image that

Arthur Andersen is seeking. The firm was founded in 1913 in Chicago and Andersen Consulting was created in 1989.

Mr Wadia - who was born in Bombay, educated in Switzerland, and intends to go on living in London - was one of two candidates who failed to win a "supermajority" in recent elections to find a chief executive for Andersen World-

wide, the umbrella organisation for both firms. The partners also failed to back Mr George Shaheen, worldwide managing partner of Andersen Consulting. Neither won backing from the other's firm because of turf wars and simmering rows over cost sharing and governance within the organisation. The announcement emphasises the autonomy of Arthur Andersen.

Arnault doubles his stake in GrandMet

By David Blackwell and Ross Tienan in London

Mr Bernard Arnault, LVMH chairman, yesterday stepped up his drive to make Guinness and GrandMet reat their £24bn (\$40.08bn) merger by acquiring enough shares in GrandMet to call an extraordinary meeting of shareholders.

Deploying a novel scheme devised by his merchant bank adviser, BZW, Mr Arnault sold shares in Guinness in order to buy GrandMet.

Acting on behalf of LVMH, brokers at BZW offered to buy three GrandMet shares for two Guinness shares and cash to the value of a third GrandMet share, plus 20p.

Analysts believe that most of the 118m GrandMet shares traded, equivalent to 6.4 per cent, went to Mr Arnault. If that is the case, he will have doubled his stake to 12 per cent - above the 10 per cent threshold necessary to call an extraordinary meeting. At the same time 47m Guinness shares were traded, which could have cut his stake from

14.3 per cent to 12 per cent. For the first time since May 12 when the merger was announced the shares closed widely apart - Guinness at 598p, down 94p, and GrandMet at 622p, up 18p.

This reflects the premium that Mr Arnault was offering GrandMet shareholders.

Mr Arnault must today notify the stock exchange of the stake he now holds in each company. Mr Arnault resigned on Monday from the Guinness board. His resignation is expected to be accepted today, immediately before the start of the close season - the two months when directors cannot trade in their company's shares ahead of interim results.

The boards of Guinness and GrandMet are still drawing up their response to Mr Arnault's alternative to their merger to form GMG Brands.

Instead, he has suggested a three-way merger of the wines and spirits businesses of Guinness and GrandMet, with the Most Hennessy subsidiary of LVMH.

Banks get tough with Kia over rescue plans

By John Burton in Seoul

South Korean banks yesterday refused to meet the full funding requested by the troubled Kia group after it came close to bankruptcy last week.

Kia's creditor banks, which have placed Korea's third-largest carmaker under bankruptcy protection, agreed to provide only Won180bn (\$180m) of the Won358bn it requested to keep going until the end of July.

At the end of this month the banks, led by Korea First Bank, will discuss a more comprehensive rescue plan for Kia, which has debts of Won9,500bn.

They have demanded that Kia executives surrender management control and accept responsibility for the group's financial troubles, which were caused by over-expansion and poor domestic sales. Under the plan, Kia shares owned by its subsidiaries and executives would be transferred to the banks. Kia has resisted the

demand, saying its recovery should be supervised by the current management. The government has also called on the banks to provide emergency loans to some of Kia's 5,000 subcontractors to prevent bankruptcies among them, but the banks have been cautious in response.

On Monday, Kia submitted a restructuring plan, under which it hoped to raise Won4,160bn through property sales and the disposal of its loss-making steel unit. It said it would reduce the number of its affiliates from 28 to 14, selling companies such as Kia Steel, and shed 5,000 jobs throughout the group.

Analysts were not impressed. "It's like sticking your fingers in a leaky dam that's about to burst," said Mr Henry Morris, a managing director at Cory International (HK), a Korean investment group.

Kia is expected to find it hard to raise capital from sales to service its debts. "Kia

will have problems in finding a buyer for its steel business. The industry is already depressed because of the collapse of the Hanbo and Sammi steel groups earlier this year," said Mr Daniel Harwood, north-east Asian manager for ABN-Amro Hoare Govett Asia Securities.

"More important, I'm sceptical whether Kia can raise a planned Won3,000bn through land sales because the property market is weak due to distressed land sales by other groups in financial trouble."

The banks have also asked Kia to sell its heavily indebted commercial vehicle unit, Asia Motors. They demand that Kia produce a firm schedule for disposal of its assets, which include a hotel, a professional basketball team, and property belonging to Asia Motors in the city of Kwangju.

Kia said it could cover the shortfall in its emergency funding request through the sales of heavily discounted cars this month.

Barry Riley

France stops the clock as Germany restructures



If France is an economic accident in the making, the Paris stock market refuses to be alarmed. Investors are surprisingly patient. The CAC 40 hit a new high on July 16, along with many of the other European indices. Its response to Monday's tax measures - which reduced corporate earnings by 5 per cent - was muted.

What has set the continental bourses alight has been the potential for restructuring - and the reality too, with the announcement in Germany, also on Monday, of the merger of two Bavarian banks, Vereinsbank and Hypothekbank, to create Germany's second-biggest bank by market value. That triggered a 8 per cent surge in German share prices yesterday.

In France, though, under the Socialists elected in May, privatisations have been postponed, the creation of funded pension schemes has been put on hold, and new new taxes have been loaded on to companies. Yet the French equity market is up 24 per cent this year, and 22 per cent over 12 months.

True, this performance has lagged Europe overall. The leading markets such as Germany and the Netherlands are up by about 40 and 60 per cent over the same period. And in dollars the French index is up only 5 per cent this year, emphasising the extent to which the continental bourses have been enjoying a devaluation bull market (with further

notable D-mark weakness yesterday). Paris poses a *défi français* to international investors, who have been assuming the progressive Americanisation of the global economy, through labour market deregulation, restructuring to release share holder value and the comparative advantages of big, global companies.

The leftwards swing of the political pendulum in several parts of Europe (extending possibly to Germany next year) is an awkward phenomenon in this context, however. The UK's New Labour government does not stand in the way of these trends, but the Jospin

regime in France - elected, to its own surprise, on a backward-looking manifesto - is another matter.

Nevertheless, the markets are in a super-confident mood and investors simply assume that the French government will be forced to fall into line. But its fiscal package has not encouraged that view.

Germany's economic problems mainly arise from the continuing burden of unification, but France's are more fundamentally related to the political attitude of the people.

France has an unemployment rate of 12.5 per cent, compared with 5.7 per cent in the UK and under 5 per cent in the US, but there is little sign of micro-economic solutions to the labour market crisis.

Yet the bond market considers the financial risks to be particularly low in France. The 10-year government bond yield is down to 5.4 per cent, the lowest in the European Union - some 90 basis points less than for US Treasuries and 170 b.p. less than on UK gilts. Bonds are looking no further than the financial fudges required to ensure that Enn happens.

Parts of the corporate sector in France are in tune with the shareholder value ethos. There are attractive plays on individual stocks. But corporate plans that dump a bigger surplus labour problem on to the public purse will be blocked by the Jospin government. Meanwhile, more of the cost of maintaining the bloated public sector is being heaped on companies through the "temporary" corporate tax surcharge.

Only 48 per cent of French households include a private sector wage earner, according to Credit Suisse First Boston's French economics weekly. Without a U-turn on private sector job creation France will be unable to survive within the single currency. For the time being the French stock market will continue to underperform. But watch for a rapid catch-up on any signs of labour market reforms.

Interview with Dominique Strauss-Kahn, Page 13
Lex, Page 14

Versace insured for \$20m at Lloyd's

By Christopher Adams, Insurance Correspondent

Gianni Versace's fashion empire could struggle to survive without him, but an insurance policy protecting the business against his death may go some way towards compensating for the loss of such a crucial figurehead.

Mr Versace, shot dead last week outside his Miami home, was insured at Lloyd's of London for £85bn (\$20.01m) under the terms of an insurance policy taken out by his company. Underwriters say the group has yet to make a claim.

The so-called "key man" policy that covered the group against his death is not uncommon. When Mr Matthew Harding, the UK millionaire insurance broker, died in a helicopter crash last year, his company Benfield claimed £18m (\$26.7m) with its policy.

It is impossible to measure the precise financial impact of the loss of Mr Versace, but underwriters typically calculate the insurance premium they charge by looking at the salary of a key man, the financial performance of the company he manages and his position within it.

"With Versace, it would have been his designing ability, his contacts and the people he was seen with. He was very much upfront. Because it's got his name, it sells," said one underwriter.

Mr Versace not only founded his business and designed the products which bear his name, but the close relationship between brand recognition and his flamboyant public persona has helped drive the company's success.

It is not just businesses that take out key man policies. Highly paid American footballers are often similarly covered against injury and the policies can insure sums of up to \$100m. It is often smaller businesses, rather than large ones, which are most at risk from the loss of a key executive.

"One of the major reasons why people buy them is when there's a change in the structure of the company. If a bank is putting money in, it may insist on a key man insurance policy to protect its investment," said a broker.

The insurance policy covering Versace was led by an insurance syndicate at Lloyd's managed by the RJ Kiln underwriting agency.

4
The largest buyouts in Continental Europe

Elis
Geberit

Impress Metal Packaging
Général de Santé/General Healthcare Group

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COMPANIES AND FINANCE: ASIA-PACIFIC

Provisions hurt Thai financial sector

By Ted Bardeke in Bangkok

Leading Thai financial institutions reported disappointing first-half results yesterday amid worries that already high levels of provisioning for bad debts will increase later in the year.

Bangkok Bank, the country's largest bank, reported a 16 per cent fall in first-half net profit to Bt8.63bn (\$283m). State-owned Krung Thai Bank said its first-half net profit was down 36 per cent to Bt3.8bn, while Thai Farmers Bank first-half net profit was 19 per cent

lower at Bt5bn. Siam Commercial Bank, the fourth-largest bank, reported a 14 per cent fall to Bt3.68bn.

In the finance sector, Finance One, once the country's largest finance company, said it swung to a first-half net loss of Bt5.23bn compared with a profit of Bt850m in the same period last year. At Dhana Siam, first-half net profits fell 82 per cent to Bt131.9m, while Nava Finance & Securities reported a 71 per cent fall to Bt159.8m.

Analysts said the fall in profits

stemmed mainly from a rise in provisioning for bad debts. Thai financial institutions usually wait until the fourth quarter, when they can assess full-year performance, to make large provisions. Increasing provisions in the middle of the year meant bankers expect bad loan problems to get worse, analysts said.

Some analysts suggested that the institutions had increased provisions at this point in the year because investors had already discounted poor 1997 earnings and were unlikely to sell down

shares based on profit figures. The fact that Bangkok Bank - which already has high provisioning levels, relatively few non-performing loans and small exposure to Thailand's collapsing property developers - raised provisions was taken as a sign that manufacturers were also starting to show up on the bad-debt rolls.

Analysts expressed concern that margins, which they said remained healthy in the first half, would fall in the second. The central bank raised the ceiling on interest rates that commercial banks can offer

their depositors from 12 per cent to 14 per cent, prompting Bangkok Bank and Thai Farmers to raise their deposit rates by 3 and 2.5 percentage points respectively.

The move came after banks reported they were losing depositors to foreign banks operating in Thailand, which are less bound by interest rate restrictions.

Combined with lower margins, falling loan growth will also depress profits through the year. Even the healthiest banks are reluctant to lend in the unstable environment.

VW China venture in profit

By James Harding in Shanghai

Volkswagen's joint venture with China's First Auto Works, the large state-owned enterprise, has posted its first profits since it was established in 1991, reinforcing the German car-maker's lead in the Chinese market.

The joint venture, which is based in Changchun, north-east China, recorded a 45 per cent increase in production of Jetta saloon cars and a post-tax profit in the first half of 1997, according to the Chinese state news agency.

Volkswagen-FAW declined to detail the profit figures.

The German group controls more than half of China's passenger car market through sales of its Santana model, which is produced in Shanghai in a venture with Shanghai Automotive Industry Corporation.

Approximately 200,000 Santana cars were sold last year - about 52 per cent of total passenger car sales - while the Jetta commanded 6.9 per cent of the market, with sales of 26,400.

The Jetta's market share is forecast to rise to 10 per cent by the end of this year, after sales reached 20,100 cars in the first six months of this year - an increase of 102 per cent compared with the same period in 1996.

The Changchun assembly line has a production capacity of 150,000 cars a year, but it has not been stretched by China's sluggish automotive market.

In the first six months of this year, the Volkswagen-FAW joint venture produced 20,600 Jetta cars.

Car sales in China have stalled over the past three years, held back by the limited purchasing power of Chinese consumers and squeezed further by the government's drive to cool rampant inflation.

Push into retail market lifts Petron

By Justin Marozzi in Manila

Petron, the Philippines' largest oil group, yesterday announced first-half net profits up 13 per cent to 2.25bn pesos (\$60m), but analysts warned the company would be hit by the recent depreciation of the peso.

The group said the improved performance came from higher revenues arising from its push into the retail market. Revenues rose 13 per cent to 29.4bn pesos, and market share was "dominant" at more than 40 per cent.

Operating costs fell 7 per cent.

Shares in the group, which is 40 per cent owned by the government, closed unchanged at 6.1 pesos yesterday.

National Power Corporation, the state-owned utility awaiting privatisation, remained the group's main market for fuel oil and diesel, although retail clients

were beginning to take over.

As analysts digest the effect of the peso depreciation on the Philippine corporate sector, Petron - which has high levels of unhedged foreign debt - has emerged as one of the groups most exposed to erosion of its bottom line. Its gearing stands

PROFILE

PETRON

Market value: P652.0m

Main listing: Manila

Head office: 11.5

Gearing: 4.99%

Earnings per share: 0.56 pesos

Current share price: 6.10 pesos

Source: Reuters

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Share price

relative to the Manila Composite

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100

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THE ANCIENT ROAD TO RICHES STILL EXISTS

EMERGING MARKETS UPDATE: CENTRAL ASIA

Regent explores the frontiers of today's emerging markets.

Today, the economies of Central Asia — Kazakhstan, Kyrgystan, Uzbekistan, Tajikistan and Turkmenistan — are striding into the modern world. Regent is already focused on the opportunities in these markets.

These former Soviet satellite states have already completed mass privatisation programmes and are now set for sustainable economic growth and falling inflation. The region — with 1.7 times the land mass of the European Union — boasts a combined population of 55 million and a wealth of natural resources including oil and gas, gold, silver, copper, uranium and other non-ferrous metals, providing a solid foundation for continued growth.

REGENT
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IN EMERGING MARKETS

The successful privatisation programmes, together with fast developing capital markets, now offer a wide range of opportunities.

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COMPANIES AND FINANCE: EUROPE

Car sales help Volvo advance midway

By Greg McIvor in Stockholm

First-half profits at Volvo rose sharply as the Swedish car and truck maker offset continued losses at its troubled North American trucks subsidiary with strong sales growth in its flagship cars division. Pre-tax profits advanced from SKr3.8bn to SKr7.9bn (\$1.01bn), including a SKr3.8bn one-off gain from non-core asset sales. Operating profits rose from SKr2.3bn to SKr3.9bn.

The figures were slightly above market expectations, helping to

move Volvo's most-traded B shares up SKr3.50 to SKr213.

Earnings benefited from favourable exchange rates. This was most pronounced in the cars division, with a positive currency effect on operating profits of SKr400m-SKr500m in the second quarter against the first quarter. However, Volvo said this gain was offset by higher research and development costs as well as by higher sales costs.

Net sales rose 14 per cent, from SKr78.1bn to SKr89bn, or 8 per cent excluding currency shifts. Sales of

trucks rose 2 per cent, while car sales grew by 21 per cent.

Mr Leif Johansson, the former Electrolux chief executive who took over at Volvo in April, said underlying trends, particularly in the cars unit, were healthy.

But he stressed the 4.4 per cent group operating margin was below Volvo's long-term target range of 5-7 per cent and said he was seeking productivity improvements from cost cutting, especially in sourcing and purchasing.

The overall market for passenger cars declined slightly compared

with the previous year, mainly because of a 4 per cent contraction in North America. Even so, the cars division raised operating profits from SKr187m to SKr22.2bn. Volvo ascribed this to strong sales of the S40/V40 mid-range model introduced last year. Sales of the rebadged S70/V70 range also progressed.

Volvo sold 196,250 cars in the first six months, a 12 per cent increase. However, operating profits were virtually flat in the second quarter against the first quarter.

Mr Graham Phillips, automotive

analyst at HSBC James Capel in London, said this was disappointing in the light of the strong currency advantage during the second three months. But he said investors would have been cheered by the fact that Volvo's North American truck deliveries had held firm despite weak market conditions.

The North American trucks subsidiary incurred a loss for the fifth successive quarter, dragging down operating profits in the trucks division from SKr1.1bn to SKr882m. Turnover was SKr23.5bn, against SKr23.1bn.

EUROPEAN NEWS DIGEST

BASF potash sale blocked

BASF, the German chemicals group, has been blocked from selling a controlling stake in its German potash mining interests to Potash Corporation of Saskatchewan, the world's biggest integrated fertilisers group.

Mr Günter Rexrodt, German economics minister, yesterday upheld an earlier ruling by the federal cartel office in Berlin forbidding the planned sale of 51 per cent of Kali und Salz to PCS. The office had ruled that the sale would lead to a "considerable limitation of competition" on the German market for potash fertilisers.

BASF can challenge Mr Rexrodt's decision in the courts, although this would be unprecedented. The group said yesterday it would begin looking for a new buyer. Its withdrawal from potash mining is part of an ambitious refocusing on its core chemicals and pharmaceutical operations. PCS said yesterday it regretted Mr Rexrodt's action.

The minister said the sale would have left Kali und Salz, which already controls 80 per cent of the German market for potash, with "no effective competition". Mr Gerhard Wolf, BASF board member responsible for Kali und Salz, said the decision was a heavy blow to the German potash industry.

SOFTWARE

Dassault Systemes ahead 54%

Dassault Systemes, the French provider of design and manufacturing software, yesterday announced net profits of FF777.5m (\$12.8m) for the second quarter, a 54 per cent rise from the same period a year earlier. Sales were up 30 per cent at FF379.1m. Financial revenues were down to FF14.6m, from FF33.5m, mainly due to smaller net gains from currency fluctuations.

The company, which is 38 per cent owned by Dassault Aviation, the aircraft manufacturer, attributed the rise to "all-round excellent performance". Mr Charles Edelstein, chairman and chief executive, said releases of new products had received a "favourable response from customers".

For the six months to the end of June, total sales were FF802.1m and net profits FF193.8m, up from FF621.8m and FF136.8m, respectively, in the first half of 1996.

The company warned it was likely to suffer from the French government's recent decision to increase corporate taxes.

Samer Iskandar, Paris

STEEL

Two shortlisted for CSI

The Spanish government has narrowed the contenders to control CSI Corporación Siderúrgica, the chief domestic steel producer, down to Usinor of France and Arbed of Luxembourg. However, it wants both companies to fine-tune their bids before it makes a decision on the sale. The State Industrial Agency (AIE) said it had excluded rival offers from Italy's Riva-Tra group and US Steel, but that the two remaining bidders had failed to satisfy all the conditions it had laid down for the purchase of 35 per cent of CSI. It gave Usinor and Arbed until July 28 to improve their proposals.

CSI, which had net earnings of Pta15.6bn (\$103m) last year on sales of Pta306bn, is the last big steelmaker in the European Union that is still in state ownership. Once AIE decides on CSI's main partner, it will place 10-15 per cent of the company's shares with domestic industrial interests and float the remainder on the stock market.

Tom Burns, Madrid

BANKING

Portugal's BES beats forecasts

Banco Espírito Santo, Portugal's fourth-largest bank, lifted first-half net consolidated profit 42.9 per cent, from E10.6bn in the same period last year to E15.2bn (\$33.8m) - more than E1bn above analysts' forecasts.

Mr Ricardo Espírito Santo Salgado, BES president, said yesterday the group's strategy of organic growth had enabled it to double total assets over the past three years and increase market share. Net assets rose to E3,846bn in the first half, up 25.9 per cent on the same period in 1996.

Analysts consider BES to be the only Portuguese bank with the capital and managerial resources to make an important acquisition. It strengthened its capital adequacy last month by issuing E574bn in subordinated debt.

Peter Wise, Lisbon

GENCOR

Four vie for chief executive post

Four people will battle to become chief executive of Gencor, the South Africa based gold and platinum producer, descended from the Billiton base metals business, which is about to float on the London Stock Exchange.

The contenders include Mr Tom Dale, who heads Gencor's South African gold business; Mr Mick McPherson, chairman of Impala Platinum; and Mr Gary Maude, who is responsible for the international gold operations. The fourth candidate will be Gencor's new finance director, who has yet to be appointed.

Announcing his candidacy yesterday, Mr Dale said the board would consider splitting off the Impala platinum business, in which Gencor has a 46 per cent holding, if it became clear shareholders would benefit from Gencor being a "pure" gold, rather than a precious metals group. It was also likely that the structure of the South African gold business would be changed.

Kenneth Gooding, Mining Correspondent

BULGARIA

Bank privatisation completed

Bulgaria yesterday completed the first privatisation of a state-owned bank by transferring 65 per cent of United Bulgarian Bank to Oppenheimer, the US securities house, and the European Bank for Reconstruction and Development. The conclusion of the much-delayed deal was a condition set by the International Monetary Fund for Bulgaria to receive the next \$140m tranche of a \$650m stand-by loan approved earlier this year.

Oppenheimer acquired 30 per cent of United Bulgarian on behalf of its emerging markets funds, while the EBRD took 35 per cent. The remaining 35 per cent went to Bulbank, the biggest state-owned Bulgarian bank which is due to be privatised next year. The three will participate later this year in a \$30m rights issue to raise United's equity base to \$42m, in line with international capital adequacy standards. The bank's management is also being restructured, banking officials said.

Theodor Troes, Sofia and Kerin Hope, Athens

CZECH REPUBLIC

EBRD takes Korado stake

The European Bank for Reconstruction and Development is taking a 44.3 per cent stake in Korado, a Czech maker of heating radiators which has become one of the biggest companies of its kind in central Europe. The EBRD said yesterday it was paying E1.1bn (\$22m) for the stake, which is in the form of new equity.

Korado is seeking to quadruple output in the next few years, and the EBRD financing will allow it to buy technology for a new plant. The company makes 750,000 radiators a year, up from 20,000 at the time of its privatisation in 1991. The surge is attributed mainly to soaring demand for radiators because of housing reconstruction in post-communist central Europe.

Vincent Boland

Hard drive to market for Olivetti PC

After a long and often tortuous gestation, it seems that Olivetti Personal Computers, the Italian PC manufacturer spun off by the Olivetti group, is finally free to get on with the business of designing, building and selling PCs.

Even so, Mr Bernhard Auer, chief executive, admits he will still need to reassure suppliers, resellers and customers - particularly those in Italy - about the long-term viability of the company following the sudden resignation last week of Mr Alessandro Barberis, group chief executive of Piedmont International, OPC's parent holding company.

The former Digital Equipment executive says that despite the turbulence of the last nine months, when many were ready to write off Olivetti's PC business, the company has a strong order book and is ready to do battle to regain its European market share. "I am confident we will survive," he says.

Nevertheless, Mr Barberis' decision to resign, after

finally securing the initial funding needed to ensure the survival of the Olivetti computer brand name, is a setback. He is understood to have been frustrated by the months it took to put the funding in place.

Olivetti spun off its loss-making PC business off in February to Piedmont, a holding company set up by Mr Edward Gottesman, the London-based financier. The spin-off came 18 months after the Italian conglomerate put the operations up for sale.

But it was not until two weeks ago that a long-promised funding package materialised. It comprises equity capital provided by Mr Gottesman's Century private investment group and by Olivetti Group, which retains a 12 per cent stake in OPC, and a loan facility provided by Merrill Lynch.

The plan had been for Century and Olivetti together to provide a total of \$40m - half of the planned \$80m in equity - and for Merrill Lynch to provide a \$100m secured loan. However, Merrill balked when several prospective Italian investors



Bernhard Auer: OPC 'the best-kept secret in Europe'

pulled out of the financing at the last minute. As a result, Mr Gottesman was forced to increase the initial equity contribution to \$66m while the loan facility was cut to \$75m.

"After three-and-a-half months we really needed to

keep inventories to a minimum," says Mr Auer, who was brought in by the Olivetti group 18 months ago to spearhead the revival of the PC business, once a leader in Europe.

Under Mr Auer, OPC's costs have been brought under control and the product portfolio has been pruned. This has involved jettisoning loss-making lines to focus on higher-margin products such as corporate PC servers - powerful PCs which manage groups of desktop PCs - and portable "notebook" PCs.

Following a strategic master plan commissioned by Mr Gottesman and completed by Booz Allen & Hamilton, the management consultants, Olivetti's expensive direct sales force has been replaced by a network of 40 distributors in most of the main European markets. Partly as a result, the workforce has been cut from 3,000 to about 1,500.

At the same time, OPC management - strengthened this week with the appointment of Mr Marc Lintol as finance director - has begun

to address other weaknesses. More than 100 multilingual service operators have been added to the service and support operations, and OPC's geographic sales base has been broadened. The group's reliance on Olivetti Systems and Services (Olsy), which still accounts for 50 per cent of sales, has also been reduced.

Although Italy still accounts for 30 per cent of sales volume, more than 80 per cent of OPC's sales last year were in other European countries.

Nevertheless, OPC managers acknowledge they face a difficult battle to build European market share and repair credibility.

OPC's machines have begun winning independent product tests, but Mr Auer says the company's products "are the best-kept secret in Europe".

Now, with the financing completed, OPC's chief executive is hoping that the Italian rumour mill will shut down and that the rejuvenated company will be able to focus on its core business.

Paul Taylor

Shamrock sells 10% holding in Koor

By Avi Machlis in Tel Aviv and Judy Dempsey in Jerusalem

Mr Stanley Gold, president of Shamrock Holdings of the US, yesterday agreed to sell a 10 per cent stake in Koor, Israel's largest industrial conglomerate, to the Claridge Group, controlled by the Charles Bronfman family of Canada.

Claridge, an investment fund with extensive interests in Israel, has an option to buy Shamrock's

remaining 10 per cent stake within 90 days.

Claridge will pay \$187m, or \$24.25 per American Depositary Receipt, and \$121.25 per share. It will pay the same price for the remaining 10 per cent.

The deal, which took analysts by surprise, follows Mr Gold's criticism of Koor's poor market performance. Earlier this month he proposed spinning off three of Koor's subsidiaries, but could not muster the support needed from Bank Hapoalim, Israel's largest bank, which

holds 22.7 per cent of the company.

Mr Jonathan Kolber, president of Claridge Israel, said yesterday's deal meant he would withdraw from the Arisur Group, which is bidding for a stake in Hapoalim, due to be privatised this year.

Mr Gold's decision to sell ends his two-year involvement with Koor in which he bought a 22 per cent stake for \$256m and was appointed chairman. That purchase was heavily leveraged, with Bank Hapoalim lending

Shamrock more than \$100m. Mr Gold said yesterday he had made a net gain of \$120m on the Koor sale.

Mr Gold's spin-off proposals have driven Koor's share price up on the Tel Aviv exchange. In early July, when he first mooted the idea, the shares hovered at Shk316.55. Yesterday they closed at Shk428, a rise of 25 per cent. Over the same period, the Mishkanim index rose 20 per cent.

"[Mr] Gold sold Koor at a tidy premium of about 10 per cent," said Mr Gad Haker, analyst at Ilanot-Satucha Investments. "He did a very good deal."

It is unclear what Claridge will do with its Koor holding. Mr Kolber said Koor had "a lot of potential. It has been developing. It has some very good assets."

Koor last year posted net income of \$180.8m on sales of \$3.5bn. Mr Benjamin Gaon, chief executive, recently said his aim was sales of \$5bn by the end of the decade through acquisitions and mergers.

Mr Simon de Bree, DSM chairman, said the company had opted for a "buy and build" approach because Geleen would not have enough capacity to cope with demand. Polyethylene demand in western Europe is expected to grow from 9.5m tonnes to 13m tonnes by 2010, while the polypropylene market should swell from 5.4m to 9m tonnes.

DSM pays \$495m for Veba Oel unit

By Barbara Smit in Amsterdam and Graham Bowley in Frankfurt

DSM, the Dutch chemicals group, yesterday agreed a \$1.1bn (\$495m) deal to buy and expand Vestolen, a unit of the German oil refiner Veba Oel, which is part of the Veba industrial group.

It said the acquisition would strengthen its position as a leading polyolefins producer. DSM already

owns Europe's fifth-largest producer of polyolefins - the top-selling plastics polyethylene and polypropylene, which are used in packaging, textile fibres and plastic car parts.

Its latest investment should enlarge its European market share to about 12 per cent in the next 10 years. The purchase of Vestolen's site in Gelsenkirchen and the construction of two more plants in Germany should

increase DSM's annual polyolefins production to more than 2.5m tonnes by 2001, the Dutch group said. This compares with the 1.52m tonnes turned out by its plant in Geleen, in the Netherlands.

Veba Oel said the sale of its non-core polyolefin business enabled it to step up production in its core activities - the production of ethylene and propylene, which it will supply to the new DSM

plant under a long term deal. Ethylene and propylene products are used in the production of polyolefins.

"For us this will be a big business. And the long-term contract will free us of short-run cycles," said Veba Oel. Mr Guirijn Mulder, analyst at ING Barings, said: "This is one of the best fits that DSM could have found to expand in polyolefins. But their weak point is that they still have to buy raw materials, unlike competitors in the refinery business."

Mr Simon de Bree, DSM chairman, said the company had opted for a "buy and build" approach because Geleen would not have enough capacity to cope with demand. Polyethylene demand in western Europe is expected to grow from 9.5m tonnes to 13m tonnes by 2010, while the polypropylene market should swell from 5.4m to 9m tonnes.

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BCH follows competitors in stock split

By Tom Burns in Madrid

Banco Central Hispano, the once-troubled Spanish banking group, has followed the lead of its domestic competitors by announcing a stock split.

Its plans to halve the nominal value of its shares to attract small investors came as it underlined a sustained recovery with half-year results that were ahead of forecasts.

BCH shares have strongly outperformed the market since the beginning of the year, climbing 107 per cent since June last year.

BCH will ask shareholders at an extraordinary general meeting on September 18 to authorise a two-for-one stock split through a reduction in the nominal value of the shares from Pta500 to Pta250.

The split will be implemented only if the share price maintains its current trading value of Pta600.

Banco Santander, Banco Bilbao Vizcaya and Banco Popular have all responded to the sustained bull run on Madrid's Bolsa by reducing their nominal share price since the beginning of this

year. The aim is to encourage small domestic savers to buy their stock.

BCH lifted net attributable profit by 22.6 per cent to Pta25bn (\$165m) against the same period last year and says it is on track to raise the full-year result above the Pta43bn target it had set itself.

The improved earnings came from the group's core banking business. Aggressive marketing offset margins squeezed by falling interest rates and allowed BCH to increase net interest income by 12.6 per cent to Pta145.5bn. Operating profit was up 38.1 per cent at Pta69.3bn.

The decision by BCH to split its shares suggests that its earnings potential is converging with that of rival and more profitable banks in the domestic sector. At the end of 1994, tumbling profits forced it to cut its dividend by 40 per cent.

The strength of BCH's balance sheet was underlined by a 3.4 per cent ratio of non-performing loans to assets, below the sector's average and 2 points down on 12 months ago.

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مكتبة الامم


Salomon Brothers

Innovation and Performance in Equities

This announcement appears as a matter of record only.

June 1997

U.S. \$1,138,000,000

 **Hellenic Telecommunications Organization S.A.**


Ordinary Shares and Global Depositary Receipts

Joint Global Coordinator and Bookrunner:
Salomon Brothers

This announcement appears as a matter of record only.

July 1997

DM1,260,000,000

 **ProSieben Media AG**

Non-voting Preference Shares

Joint Lead Manager and Sole U.S. Bookrunner:
Salomon Brothers

This announcement appears as a matter of record only.

June 1997

ATS 3,000,000,000

Bank Austria
Bank Austria Aktiengesellschaft


Primary Preferred Shares

Lead Manager and Sole Bookrunner:
Salomon Brothers

This announcement appears as a matter of record only.

May 1997

U.S. \$301,000,000

 **MOL Magyar Olaj-és Gázipari Rt.**


Global Depositary Shares

Joint Global Coordinator and Bookrunner:
Salomon Brothers

This announcement appears as a matter of record only.

July 1997

U.S. \$988,489,856

 **YPF Sociedad Anónima**


33,794,525 American Depositary Shares
Representing
33,794,525 Class D Shares

Sole Global Coordinator and Bookrunner:
Salomon Brothers

This announcement appears as a matter of record only.

March 1997

U.S. \$527,000,000

 **Videsh Sanchar Nigam Limited ("VSNL")**


Global Depositary Shares

Joint Global Coordinator and Bookrunner:
Salomon Brothers

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June 1997

¥110,000,000,000

 **Sumitomo Trust & Banking Co., Ltd.**


1/2% Mandatory Exchangeable Notes due 2007

Lead Manager and Sole Bookrunner:
Salomon Brothers


This announcement appears as a matter of record only.

May 1997

U.S. \$100,000,000

 **Hamburgische Landesbank**

3.25% Exchangeable Notes into Veba Shares



Lead Manager and Sole Bookrunner:
Salomon Brothers


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July 1997

U.S. \$150,000,000

NORD/LB
Norddeutsche Landesbank

3% Exchangeable Notes into Deutsche Telekom Shares



Lead Manager and Sole Bookrunner:
Salomon Brothers

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Salomon Brothers

COMPANIES AND FINANCE: THE AMERICAS

CIBC to buy Oppenheimer for \$525m

By Tracy Corrigan in New York

CIBC Wood Gundy, the investment banking arm of Canada's second largest bank, has agreed to buy Oppenheimer, the second largest privately-held securities firm in the US, for a total of US\$525m.

The deal is the latest in a spate of acquisitions of US securities firms by commercial banks, following the loosening of rules governing such ownership.

"The rationale for the combination is that we have firms of complementary capabilities," said Mr Michael Rulle, chairman and chief executive officer of CIBC Wood

Gundy. CIBC was strong in credit products, while Oppenheimer specialised in equity trading and sales. Mr Rulle added that the new firm would have a strong platform to develop its mergers and acquisitions business.

Mr Rulle will become chairman and chief executive officer of the newly formed CIBC Oppenheimer, and will continue as head of the banking business in the US region.

Mr Stephen Robert, chairman and co-chief executive of Oppenheimer, and Mr Nathan Gantcher, president and co-chief executive of Oppenheimer, will become vice-chairmen of the new company.

The acquisition price consists of \$350m cash at closing, expected by the end of the year, and \$175m in a retention pool to be paid over three years to about 40 executives.

Oppenheimer has a book value of \$337m, according to CIBC, which makes the total price paid - less than two times book - look modest compared with a number of other recent deals.

Swiss Bank Corporation paid three times book for Dillon Read, and Bank of America paid five times book for Robertson Stephens, the San Francisco-based investment bank.

Commenting on the potential

clash between a commercial and an investment banking culture, Mr John Hunkin, president of CIBC Wood Gundy, said that CIBC already had a "strong investment banking, solutions-oriented culture" which should fit well with Oppenheimer.

CIBC acquired Wood Gundy, the Canadian securities firm, 10 years ago, and has built up its capital markets business, concentrating on bonds rather than stocks, in Europe and Asia, as well as the US.

In the past few years it has hired a number of teams from US investment banks.

For example, it lured a team of

derivatives specialists from Lehman Brothers.

Mr Rulle said that the bank's main strategy was to gain a strong position in the North American securities market.

Oppenheimer Holdings, which owns 100 per cent of Oppenheimer & Co, will be acquired by Canadian Imperial Bank of Commerce's US broker-dealer, CIBC Wood Gundy Securities. Oppenheimer had net revenues of almost \$780m in the year ended April 30.

Once the transaction has been completed, CIBC Wood Gundy will have 8,000 employees globally and annual revenues of \$3.5bn.

PepsiCo recovery ahead of forecast

By John Authers in New York

PepsiCo's shares enjoyed a 6.7 per cent rally on Wall Street yesterday morning, as the US soft drinks and snacks group announced a recovery in profits during the second quarter which continued to run ahead of analysts' expectations.

The results were achieved in spite of "highly competitive" conditions in the company's core soft drinks market, PepsiCo said.

In North America, the first quarter was poor for the industry as a whole, due to unusually cold weather.

They also reflect PepsiCo's new policy of asset disposals in areas where it is not competitive, and the preparations for spinning off its restaurant division, which includes KFC, Pizza Hut and Taco Bell, this year.

Earnings per share rose to 40 cents (42 cents after unusual items), up from 36 cents in the second quarter of last year and comfortably ahead of analysts' consensus prediction of 37 cents a share.

This was equivalent to a rise of 21 per cent in operating profit, compared with the equivalent quarter of 1996.

Several unusual events made comparisons with previous periods difficult. PepsiCo is making a gain of \$500m on the \$830m sale of PPS, its restaurant distribution company.

The company opted to offset several charges against this. These included a \$247m charge for disposal of assets across its beverages, snack foods and restaurants divisions; \$36m spent on strengthening the structure of its international bottlers; and \$82m on productivity initiatives in its snacks division.

Excluding these items, operating profits showed a much smaller improvement of 7.4 per cent, from \$386m last year to \$1,059m.

The company further benefited from refranchising gains of \$137m, far better than last year's \$42m.

The restaurant division also took a charge of \$25m to cover the cost of closing stores, and an impairment charge of \$39m - both considerably higher than in the second quarter of the previous year.

Creative division lifts Disney income 18%

By Christopher Parkes in Los Angeles

Walt Disney shares rose 2 per cent in early trading yesterday after the bellwether of the US entertainment industry reported third-quarter net income up 18 per cent and forecast-beating earnings per share of 69 cents.

The group credited its creative content divisions and theme parks as the main drivers of the progress, which came in spite of sluggish overall revenue growth of only 2 per cent to \$5.2bn.

Net income was \$473m compared with \$401m, while the earnings per share result was a 19 per cent advance over last time, and 2 cents ahead of analysts' predictions.

"I am particularly pleased with the performance of our creative content segment,

which is benefiting from improved live action films and the successful release of *Hercules*," said Mr Michael Eisner, group chairman.

Disney has been overshadowed in most US cinemas this season by hit films from the resurgent Sony, and this year's animated feature starring *Hercules* is lagging behind recent Disney hits in this genre.

But the group is putting up a stronger showing in overseas markets.

Profits from creative content, which includes films, TV programming and retailing, rose 17 per cent in the quarter in spite of a 4 per cent dip in revenues.

Prospects for the year were given a boost last weekend by the surprisingly strong US opening of *George of the Jungle*, a live-action film which sold \$16.5m-worth

of tickets in its first three days.

Theme parks and resorts, still benefiting from the 25th anniversary promotions at Florida's Walt Disney World, and new night-time attractions at the Anaheim, California, Disneyland, returned 11 per cent higher profits in the quarter.

The sports business has emerged as one of the most profitable assets won in last year's acquisition of Capital Cities/ABC.

Although the ABC network is still trailing in the ratings and appears hampered by Mr Eisner's management shuffles, overall broadcast revenues rose 5 per cent in the quarter to \$1.6bn, and operating income improved 7 per cent to \$337m. Net income for the first nine months rose 58 per cent to \$1.56bn.



Hades, god of the underworld, in the Disney film Hercules

Better margins lift US drugs groups

By Tracy Corrigan in New York

A spate of second-quarter earnings from US pharmaceutical companies yesterday showed that most are still increasing their earnings faster than they are increasing their sales, due to improving margins.

The better margins are largely due to the introduction of highly profitable new products, according to analysts, as well as cost-cutting. "Despite rising prosperity, they are continuing to reduce expenses," said Mr Hemant Shah, an analyst at HKS, a pharmaceuticals research company.

However, most companies are still managing to increase spending on research and development,

US pharmaceuticals

	Earnings per share	Net sales
	2Q 1997	2Q 1997
	\$	\$ bn
	chg	chg
American Home Products	0.71	3.5
Bristol-Myers Squibb	0.75	4.1
Schering-Plough	0.51	1.72
Warner Lambert	0.85	1.97

* % increase on 2Q 1996

Source: companies

marketing and sales. For example, many companies are increasing their budgets for direct-to-consumer advertising of consumer products.

After cutting back their US sales forces a few years ago, many pharmaceutical companies have been recruiting aggressively. The advent of managed-care companies, which administer healthcare for many American patients, was expected to reduce the need for large sales forces, but such expectations have proved to be misplaced.

Among the companies helped by recent product launches, Warner-Lambert managed to beat analysts' estimates by 4 cents yesterday due largely to the strong performance of two new drugs, cholesterol-lowering Lipitor and Rezulin for diabetes, which have gained a foothold in the market more rapidly than expected.

Lipitor, launched in February, has gained market share

more rapidly than expected. It now holds the second largest market share, at 24 per cent, in the competitive, but growing, market for cholesterol-lowering drugs. Lipitor achieved worldwide sales of \$151m in the quarter.

"Lipitor and Rezulin [an anti-diabetes drug] are on track to become two of the most successful new product introductions in the history of the pharmaceutical industry," said Mr Melvin Goodes, Warner-Lambert chairman and chief executive officer.

"We look forward to a rapid acceleration in earnings growth in the third quarter. Warner-Lambert's share price was unchanged at \$139 in early trading.

Bristol-Myers Squibb shares slipped \$2½ to \$81½ yesterday because of a

weaker than expected growth in its cholesterol-lowering drug, Pravachol, its largest selling product, analysts said. Sales grew 21 per cent to \$307m in the quarter.

Schering-Plough also benefited from the strength of Claritin, its recently introduced antihistamine, but analysts said that because of the diversification of its portfolio it was less reliant on one or two strong performers than other companies in the sector.

However, analysts were less happy about the tale told by American Home Products. "Their major story has been cost cutting," said Mr Shah, who said the company still had to show that it could produce strong earnings growth, once the cost cuts have gone through.

Double boost for US tobacco groups

By Richard Waters in New York

Shares in Philip Morris and RJR Nabisco, the US tobacco and food groups, jumped yesterday on renewed hopes of White House support for a national settlement of tobacco litigation and double-digit earnings gains from both companies.

Philip Morris shares rose \$2½, or 5.5 per cent, to \$42½, while RJR's stock was up

\$1½, or 4.4 per cent, at \$31½.

The domestic US tobacco market has continued to underpin the finances of both companies, as evidenced by second-quarter results released yesterday.

Philip Morris reported operating earnings from its domestic tobacco business of \$1.2bn, up nearly 12 per cent from a year before and equivalent to an operating profit margin of 34 per cent. That was more than dou-

ble the 16 per cent profit margin on international tobacco operations, where earnings rose 15 per cent to \$1.1bn. The strong domestic performance reflected further volume growth and a shift to premium brands.

Philip Morris put its US market share of cigarette sales at 49.5 per cent, up 2.5 percentage points from a year before and a record for the company. Marlboro accounted for nearly 35 per

cent of the market, 3 points higher than a year before.

RJR produced operating earnings of \$366m from US tobacco, up only 1 per cent in spite of a 4 per cent increase in revenues. The operating profit margin of 32 per cent compared with a margin of 20 per cent on international tobacco sales, where earnings rose 3 per cent to \$179m.

Overall, Philip Morris' net income rose 13 per cent in

the second quarter, to \$1.8bn, on sales up 5.9 per cent (excluding the impact of a disposal) at \$18.4bn. With tobacco, up only 1 per cent in issue falling, earnings per share rose at a faster 15 per cent, to 76 cents.

RJR reported net income of \$235m, or 71 cents a share, on sales of \$4.3bn, compared with a loss of \$34m, or 10 cents a share, on sales of \$4.2bn a year before, due to a restructuring charge.

Ticket tax holds back US airlines

By John Authers in New York

US airlines reported healthy results for the second quarter yesterday, although profits were dented by the reinstatement of a 10 per cent ticket tax on US internal flights.

UAL, holding company for United Air Lines and the world's largest air carrier, saw earnings rise 11.6 per cent over the year, to \$376m, on a fully distributed basis.

This translated into earnings of \$2.82 a share, a record quarterly figure, well ahead of analysts' estimates of \$2.70.

The company attributed its performance to effective cost control, with unit costs rising only 0.3 per cent, helped by lower fuel prices. Revenues per passenger in the period were also at a record high.

US passenger revenue fell 1 per cent from last year, mainly as a result of the ticket tax, but Latin American revenue grew 16 per cent. There was a 6 per cent increase in revenues from Atlantic flights.

The company also announced a new marketing agreement with SkyWest Airlines to offer flights from Los Angeles International Airport under the name of United Express.

Northwest Airlines, a rival operator, reported net income of \$136.2m, down from \$302.8m in the equivalent quarter of 1996. Earnings per share were \$1.15, compared with \$1.72, but still ahead of analysts' expectations of \$1.08.

Mr John Dasburg, chief executive, said the decline was almost entirely due to the ticket tax, which he estimated had knocked \$30m off profits.

He added that the company's Pacific business had been weak, due to the weaker Japanese yen. This was partially offset by healthy revenues from cargo flights.

Unit costs were flat, up 0.2 per cent from 1997, due to increases in maintenance, wages and benefits. In early trading, UAL shares gained strongly, up \$1½ at \$77½, while Northwest fell slightly, off \$½ at \$55½.

AMERICAS NEWS DIGEST

Wall St cool as IBM rises

International Business Machines shares fell \$3½, or 3 per cent, to \$100½ at mid-session yesterday in spite of higher than expected second-quarter earnings, boosted by a drop in the computer company's tax rate. Although net income exceeded analysts' forecasts, investors were disappointed by revenue growth and almost flat pre-tax earnings.

Net earnings for the quarter ended June 30 were \$1.4bn, or \$1.46 a share, compared with \$1.3bn, or \$1.26, in the same period last year. Wall Street analysts had forecast about \$1.42. Revenues for the quarter were \$18.5bn, an increase of 4 per cent from \$18.2bn a year ago. Measured in constant currency, revenue growth for the quarter was 8 per cent. However, IBM lowered its overall tax rate from 38.1 per cent a year ago to 33.7 per cent. The drop, achieved partly by shifting manufacturing operations to countries with lower taxes, added approximately 10 cents a share to net income.

Louise Kehoe, San Francisco

OIL RESULTS

Texaco falls 18%

Lower refining margins in its west coast plants and weaker oil prices cut unadjusted profits at Texaco by 18 per cent to \$571m in the second quarter, but the energy group still managed to top analysts' forecasts by a wide margin. Net income, before one-time gains in both periods, was \$440m compared with \$465, and translated into \$1.64 a share, against \$1.73 last time. Forecasts were \$1.53.

Revenues, at \$11.5bn compared with \$11.3bn, reflected lower oil and natural gas prices and the effect of over-supply on margins at the petrol pump. US refining, marketing and distribution divisions - soon to be pooled in a cost-saving joint venture with Shell Oil and Star, the Saudi Aramco brand - recorded a 40 per cent drop in operating profits before special items.

Amoco said its higher second-quarter net income of \$622m, against \$600m for the year earlier, reflected stronger refining margins and increased volumes in petroleum products and most chemical lines. Lower worldwide crude oil prices and lower North American crude oil and natural gas production partially offset those gains and pulled revenues down to \$9.6bn, compared with \$9.8bn in the 1996 second quarter.

Christopher Parkes, Los Angeles

OIL TAKEOVERS

UPR urges Pennzoil to sell

Oil producer Union Pacific Resources yesterday claimed overwhelming stockholder support for its \$8.4bn bid for Pennzoil. The company said shareholders representing 61.5 per cent of outstanding Pennzoil stock had tendered to accept its \$84-a-share cash offer in the two-part bid. UPR, which has launched lawsuits in an attempt to breach its target's anti-takeover defences, said: "We urge Pennzoil's board to listen to its shareholders and do the right thing by directing management to negotiate a combination with UPR."

Christopher Parkes

TELECOMMUNICATIONS

Nortel beats expectations

Northern Telecom, the Toronto-based telecommunications equipment supplier, reported higher than expected second-quarter earnings, in spite of US\$85m in pre-tax write-downs and restructuring charges. Nortel was buoyed by strong orders from US phone companies, which more than offset faltering public switch sales in China. Mr John Roth, chief operating officer and chief executive-designate, said "the whole China market is pulling back a little bit" as public spending priorities shift from telecoms to energy and agriculture. Net earnings climbed from \$106m, or 42 cents a year earlier, to \$165m, or 63 cents, in the three months to June 30. Revenues surged 26 per cent to \$3.79bn. Order inflows grew from \$3.08bn to \$3.69bn. The latest results include a \$102m pre-tax gain from two disposals.

Bernard Simon, Toronto

COMPUTER MANUFACTURING

Tandem jumps 85%

Tandem Computers, the computer manufacturer that last month agreed to be acquired by Compaq Computer, saw third quarter earnings jump 85 per cent. Net income for the quarter ended June 30 was \$43m, or 36 cents a share, compared with \$23m, or 20 cents, in the same period last year. Revenues from continuing operations rose 8 per cent to \$503m, compared with \$468m.

Louise Kehoe

GOLD

Barrick Gold bucks price slide

Barrick Gold's second-quarter earnings fell 10 per cent, due partly to lower output and higher costs at the El Indio mine in Chile. The Toronto-based company, one of the largest gold producers outside South Africa, was unaffected by the recent slide in the bullion price. The average price realised in the quarter climbed from US\$417 to US\$420 an ounce. Barrick has hedged 6.5m ounces, equal to about three years production. Cash operating costs were little changed at \$186 an ounce. Net earnings dropped from \$68m, or 19 cents, a year earlier to \$62m, or 16 cents, in the three months to June 30. Mr John Carrington, president, forecast higher earnings and cash flow for the year as a whole.

Bernard Simon

HEAVY MACHINERY

Caterpillar buoyed by US sales

Caterpillar, the heavy machinery group, said net profits in the second quarter rose from \$374m in the same period last year to \$435m, pushing earnings per share from 97 cents to \$1.15 on sales up from \$4.2bn to \$4.9bn. It said its sales inside the US were \$2.42bn in the current quarter, a 20 per cent increase on last year, due mainly to higher industry demand for machines and engines. Sales outside the US rose 14 per cent to \$2.96bn, with improved physical sales volume contributing to the increase. The company said it expected to see net sales and profits "moderately higher" in the second half of this year compared with last year.

Agencies, New York

MACMILLAN BLOEDEL

Weak prices hit forestry group

MacMillan Bloedel, Canada's largest forest products company, has reported a C\$5m (US\$3.6m) loss in the second quarter, its third consecutive quarterly loss. The company said the loss, on sales of C\$1.5bn, reflected weaker prices for board, paper and packaging, as well as a slowdown in the Japanese lumber market. The results for the period ending June 30 were worse than market analysts had expected.

Scott Morrison, Vancouver

AIRCRAFT ORDERS

Northwest signs \$620m jet deal

Northwest Airlines of the US has placed a \$620m order with Aero International Regional, the European aircraft joint venture, for 24 British Aerospace RJR5 jets.

Michael Skapinker

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FINANCIAL TIMES
Finance

سكاي نت الامارات

COMPANIES AND FINANCE: UK

UK bus and rail group expands overseas transport interests and sees threefold rise to \$201m

Acquisitions speed Stagecoach advance

By Charles Batchelor,
Transport Correspondent

Stagecoach Holdings, the acquisitive bus and rail group, yesterday announced near tripling of pre-tax profits to £120.5m (\$201.2m) in a year which marked its transformation from a UK bus operator to a broadly based transport group with increasing overseas interests.

The jump in pre-tax profits from £43.6m reflected acquisitions made during the year and also included a £15.2m gain on the disposal of

Strathclyde buses, a move forced on Stagecoach by the competition authorities and £1.9m from sales of property. SWT increased its contribution to Stagecoach's operating profits from £400,000 to £7.7m in the year on turnover which rose from £48.8m to £224.2m. Stagecoach hopes to extend its present seven year franchise. It intends to buy new trains and believes that a call by the health and safety executive for the early replacement of older carriages equipped with so-called "slam-doors" will help its case.

The UK bus market, still its core business in terms of turnover, achieved its fourth year of organic growth although at 1.7 per cent in the year this was lower than in recent years. Stagecoach has also begun to benefit from its overseas expansion. In Sweden, where Stagecoach acquired Swesbus, the largest bus operator in the Nordic region, passenger numbers have risen sharply following the launch of new express coach services. Operating profits in the overseas bus division rose from £8m to £13.9m

helped by a £7.9m seven-months contribution from Swesbus. Overseas bus turnover rose from £48.8m to £224.2m. In Kenya and Malawi, where Stagecoach owns bus services, it is facing tough competition from unregulated operators and the combined operating margin fell from 13.2 to 8.8 per cent. After the year-end Stagecoach paid £3.7m for part of Transit Australia, comprising a contract to operate 120 buses. Overall, the group's figures showed operating profit

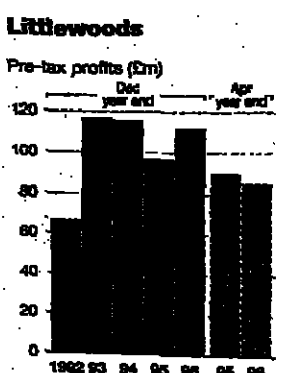
its ahead to £148m (£55.8m) on turnover of £1.15bn (£501m). Excluding acquisitions turnover rose 57 per cent. Capital spending increased by £72m to £110.8m, with Stagecoach continuing to spend heavily on new buses as well as on the 30 new vehicles for South West Trains which Stagecoach is already committed to buy. Cash flow improved from £86.3m to £232.7m. Depreciation increased from £27.1m to £87.3m reflecting the impact of Porterbrook and Swesbus.

The proposed final dividend is 6p (4.6p) making a total of 9p (6.7p) for the year, a 34 per cent increase and covered four times by profits. This is payable from earnings of 39.7p (19.7p). The shares fell 13p to 724p. Separately, Mr Sandy Anderson intends to step down as chief executive of Porterbrook, a subsidiary which leases rolling stock. But Mr Anderson, who staged the original management buy-out of the company, will handle forthcoming rail orders and will remain chairman.

LEX COMMENT

Littlewoods

Mr James Ross must be thankful there is no Littlewoods share price to testify to the group's agonies. He had a good start as chairman, getting the Moores family, who control the business, to accept a separation of ownership and management. But subsequent progress has been distinctly ragged, with the mid-week lottery dealing a further blow to the pools business, and the bid for Freemans remaining messy and unresolved. It is the stores division, though, that has been attracting the headlines. Mr Ross's decision to sell some to Marks and Spencer, while reformulating the balance of the portfolio, may be the best of a bad set of options; even so, it is hardly compelling. Certainly, more focused targeting of the group's core customers, middle-aged women, through a more coherent store portfolio, represents an improvement on the status quo. Better use of the property assets will also provide some stable income. But there remains a big risk that this strategy will not deliver promised returns, in which case Mr Ross would have done better to be rid of the stores *en bloc*, even at a low price.



For the Moores family, the one consolation is the reasonable health of its core business, home shopping. Littlewoods has outsmarted its main rival GUS on the agency side, and is making successful inroads into the direct business through Index Extra. Still, with return on equity a dismal 6 per cent, Mr Ross has a long way to go to convert Littlewoods into a decent business.

BT still hanging on the line

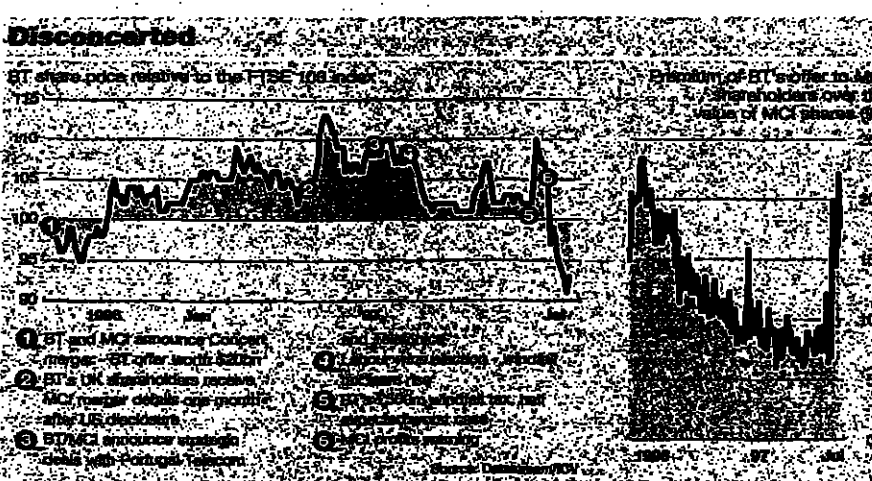
Further pressure on its shares is likely, says Clay Harris

British Telecommunications' share price has slid sharply since MCI Communications, its US partner in a proposed marriage, announced that breaking into the US local telephone market would cost it an extra \$1.8bn in the next two years.

BT shares have fallen nearly 16 per cent from the closing high of 501½p reached on July 4, even after recovering 7½p to 423½p yesterday on an interconnection charges proposal from Ofcom, which was deemed positive for the company. But leaving aside the uncertainty over the Concert merger, which BT and MCI executives are trying to salvage in talks in the US, telecom analysts expect BT's share price to face further pressure in coming weeks.

Embedded within BT's price is nearly 47p in dividends due to be paid on September 12. One part is the 1996-97 final of 11.95p; the other is a 36p special distribution for BT holders, intended to sweeten the MCI deal.

Demand from income-bri-



ent investors has helped buoy the BT price in the choppy waves stirred up by MCI. Once the shares go ex-dividend on August 11, they may be vulnerable to new pressure, especially if the MCI issue has not been resolved. One City analyst said yesterday the shares could trade as low as 350p after that date. Others saw 380p as more likely. Investors chasing after the big chunk of income have helped to offset selling by arbitrageurs, who have been trying to take advantage of the gap between the fluctuating value of BT's shares-and-cash offer and MCI's share price.

The premium of the offer

over the MCI share price had shrunk to 6 per cent by early this month, reflecting the growing belief that the deal would go ahead, since most regulatory hurdles had been cleared. In the past fortnight, after MCI's warning, the premium has trebled, even taking into account the slide in BT's price. The conflicting technical pressures on the price are nothing new. "BT hasn't traded on fundamentals in nine months - it's traded on technicals," said one analyst. Political attention and market commentary may have focused on the government's windfall tax. BT escaped relatively lightly with a \$500m bill - about half the "worst case" predic-

tions. Coincidentally that \$500m difference is similar to the \$500m extra that MCI said it would have to spend this year. BT's share price received a bigger boost from institutions assiduously adding to their holdings in anticipation of greater portfolio weightings that would be required post-MCI. The star-spangled excitement of the MCI deal, although now looking distinctly tarnished, also may have enchanted BT followers into accepting a more rosy view of growth prospects than justified. Whatever the outcome of the BT-MCI talks, it is likely that attention will now focus more on fundamentals.

CU builds up UFF stake in FFfr1.29bn deal

By Christopher Adams,
Insurance Correspondent

Commercial Union, the composite insurer, yesterday moved to strengthen its life operations in France with the acquisition of a 55.8 per cent stake in Union Financière de France for FFfr1.29bn (\$210.4m) from Credit Agricole Indosuez. The deal adds to CU's existing 11.7 per cent shareholding, giving the insurer a two-thirds stake in UFF, which sells insurance and investment products through financial advisers.

UFF earned FFfr783m in commission from premiums written last year and made FFfr267m in pre-tax profits. It has £2.3bn in funds under management. Analysts responded with enthusiasm, noting that the price paid represented a multiple of 13.5 times earnings and appeared to be low given the potential for growth.

"It's consistent in the sense they have been cementing their French business. They already have their own sales force, but this one is very high quality," said one. The acquisition of UFF is

the second sizeable purchase CU has made in France this year. In April, it spent £140m buying French life insurer Société d'Epargne Viagère, and insurance broker Sinafer, giving it 4.5 per cent of France's life market.

CU also unveiled a strong increase in new business from sales of life, pensions and investment products. Premiums jumped 21 per cent to £1.58bn in the first half of this year. But analysts said CU's performance in France, its biggest market, was again disappointing. Single premiums fell 15 per cent to £824m and annual premiums dropped 30 per cent to £11m. "Growth across the whole of the French life market has decelerated strongly," said one. CU blamed the slowdown in part on a restructuring of its sales force.

Single premium sales in the UK rose 75 per cent to £285m. The shares slid 19p to 675½p. Analysts said they were hit by news that BAT Industries, the tobacco and financial services group cited as a potential partner for CU, had bought a tobacco manufacturer in Mexico.

Moore's family support board

By Emilio Terazono

Mr James Ross, chairman of Littlewoods, received full support from the Moores family shareholders yesterday, as they gathered at the Grosvenor House Hotel in London. The move followed the circulation last week of an unsigned letter among some members of the Moores family accusing Littlewoods' management of keeping shareholders in the dark about a £540m (\$902m) bid for the group's 133 stores. The letter was accompanied by details of a bid made on June 3 by Mr Michael Smith, chairman of CVC

Capital Partners, the venture capital company, for the stores. Although the letter - then thought to be written by shareholders unhappy with the sale of 19 key Littlewoods stores to Marks and Spencer for £192.5m - implied a continued interest from CVC in acquiring Littlewoods stores, it emerged yesterday that its bid had lapsed along with the M&S agreement. Littlewoods' also released its annual results, showing a 6.1 per cent decline in pre-tax profits to £55.2m. This included a £19.2m provision to cover withdrawal from Russia and India.

Putting a value on the deal

How much is BT paying for MCI? Commonly quoted as a \$200m deal, it is worth considerably more than that, writes Clay Harris. The shares-and-cash offer yesterday valued all of MCI at \$29.2bn, or \$23.7m for the 81.3 per cent of the outstanding 729m "A" and com-

mon shares which BT does not already own. This does not take into account an estimated 80m options, (which would make up nearly 10 per cent of fully diluted share capital). On one estimate of an average exercise price of \$22, the total would add

another \$1.44bn to MCI's value. The valuation is a moveable feast since it depends on two variables: BT's share price, still up considerably since the deal was announced in November, and the sterling exchange rate, which has also

enhanced the value in dollars. BT is offering 5.4 of its shares plus \$6 for each MCI share. But MCI shareholders price, still up considerably since the deal was announced in November, and the sterling exchange rate, which has also

Billiton to get FTSE 100 place

By Kenneth Gooding

Shares in Billiton were priced at 290p each yesterday, giving the mining and metals group a market value of £4.6bn (\$7.7bn) and ensuring it a place in the FTSE 100 Index.

The shares were actively traded on the London Stock Exchange after dealings began on a conditional basis, or before the formal allocation of shares. They opened at an 8½p premium but retreated to 221p after 28m shares had been traded.

Billiton, which has been demerged from Gencor of South Africa, was at yesterday's price the 66th biggest London-listed company, and is likely to join the FTSE 100 on September 22.

The placing price was well within the 210p-240p range

Gencor outlined in the prospectus at the beginning of this month. Billiton has raised \$285m from the placing and this would rise to \$294m if the 15 per cent "greenshoe," or oversubscription allowance, is exercised in full.

Some analysts suggested the shares were overpriced but would in the short term be supported by strong demand from funds obliged to invest in FTSE 100 stocks. "I think the shares are at least 10 per cent overvalued," said Mr Emil Morfett, analyst at Banque Paribas. He pointed to political and currency risks because 70 per cent of Billiton's assets were in South Africa.

Billiton is the second-largest mining group listed in London, behind Rio Tinto, the Anglo-Australian group.

US drug sales aid SmithKline

By Daniel Green

SmithKline Beecham, the UK's second largest pharmaceuticals company, achieved a sharp increase in US drug sales in its second quarter, although group sales and profits figures were hit by the strength of sterling.

Pre-tax profits for the quarter were \$356m (\$54.5m), up 4 per cent. Excluding currency fluctuations, the rise would have been 16 per cent.

Mr Hugh Cullum, finance director, said the strong pound was likely to reduce full-year profits by about 8 per cent.

SmithKline shares rose 49p to £12.19½ as investors concentrated on underlying drug sales growth, up 15 per cent to £1.06bn for the quarter.

Anti-depressant Paxil/Seroxat lifted sales 33 per cent at comparable exchange rates to £211m.

Sales of products launched in the past five years - seen by analysts as a guide to future growth - rose 42 per cent to £362m.

The consumer healthcare division increased sales 14 per cent, excluding currency movements, to £583m.

The clinical laboratories business, perennially troubled by tough competition, lifted sales 2 per cent to £208m.

A second interim dividend of 4.41p consists of a 1.96p conventional pay-out and a 2.45p foreign income dividend.

RESULTS									
	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total for year	Total for year
AFA Systems	0.002	(0.237)	0.858	(0.229)	8.58	(3.08)	-	-	-
Barbour Index	12.5	(12)	2.42	(2.25)	8.6	(9)	6.05	10	8.5
Bovasee Leisure	0.078	(1.07)	0.084	(0.031)	8.8	(3.8)	-	-	5
GTR	112.7	(147.2)	5.89	(181.4)	0.88	(183.5)	18	-	1.5
Channel	58.8	(28.2)	3.714	(2.41)	2.71	(8)	1.15	0.55	1.5
Channel Prime	18.1	(18.3)	0.16	(0.3)	0.47	(2.46)	18	1.5	1.5
Orion TB Bank	32.1	(24.8)	0.505	(0.375)	12.6	(11.3)	1.5	1.5	-
Cardis Electra	286.3	(286)	3.026	(189)	1.28	(28.3)	3.15	3	4.85
GET	416.1	(380.3)	0.0614	(5.55)	11.38	(14.14)	3.9	3.7	5.8
Ind. Bldg. France	18.9	(30.9)	0.934	(2.2)	1.18	(10.8)	4	2	3
Ind. Bldg. France	18.7	(20.4)	1.23	(1.02)	5.2	(4)	0.5	Aug 28	0.5
Montmore Abbey	28.2	(12.5)	1.754	(0.104)	2.2	(1.5)	0.3	Oct 1	0.9
Monroe-Sanab	109.8	(100.1)	14.9	(5.38)	20.1	(11.8)	4.45	3.9	6.6
Morales (John)	1,417	(1,413)	30.6	(38.9)	33.8	(40.1)	9	13.8	13.2
MIRA	208.4	(161.1)	0.21	(8.3)	8.1	(8.5)	1	0.88	2
Odyssey & Butler	3.8	(4.84)	0.462	(0.53)	3.58	(4.7)	-	-	-
Odyssey & Butler	0.889	(0.838)	0.003	(0.011)	0.2	(0.78)	-	-	-
Radisson Hotel	18.4	(6.4)	6.33	(4.72)	3.7	(2.5)	0.9	Sept 12	2.5
St. Mark's Prop.	11.2	(13.8)	0.288	(1.18)	1.3	(5.4)	2.37	Sept 11	7.17
Shen	3,733	(3,736)	774	(729)	18.6	(17.8)	4.41	Oct 15	17.85
SmithKline Beecham	1,158	(501.2)	120.59	(43.6)	38.71	(52.7)	8	Oct 16	6.7
Tomlinson	130	(118)	0.3074	(0.33)	4.65	(5.25)	-	-	-
Waste Management	580.1	(607)	8.1	(75.3)	8.7	(123)	-	-	-
WF Electrical	113.3	(97.5)	6.65	(5.03)	31.1	(23.8)	11	Oct 20	12.8

This announcement appears as a matter of record only

BankExim
Bank Ekspor Impor Indonesia
Singapore Branch

PT Bank Ekspor Impor Indonesia (Persero)
Singapore Branch

USD 120,000,000

Floating Rate Certificates of Deposit due 2000

Arrangers
LONDON FORFAITING ASIA PACIFIC LTD.
Sakura Merchant Bank (Singapore) Limited
The Development Bank of Singapore Ltd
INDOVER BANK (N.V. De Indonesische Overzeese Bank)
NATEXIS Banque - BFCE, Singapore Branch

Lead Managers
LONDON FORFAITING ASIA LIMITED
Sakura Merchant Bank (Singapore) Limited
The Development Bank of Singapore Ltd
INDOVER BANK (N.V. De Indonesische Overzeese Bank)
NATEXIS Banque - BFCE, Singapore Branch

Co-Arrangers
The Arab Investment Company S.A.A. (TAIC)
Landesbank Rheinland-Pfalz Girozentrale

Co-Lead Managers
Banque Générale du Luxembourg S.A.
BW Bank Ireland plc, Baden-Württembergische Bank Group
Banque et Caisse d'Epargne de l'Etat, Luxembourg
BERLINER BANK AG-Bankgesellschaft Berlin Group
Landesbank Schleswig-Holstein Girozentrale, Luxembourg Branch

Senior Managers
Tat Lee Bank Limited
Banca Monte dei Paschi di Siena S.p.A., Singapore Branch
State Bank of India, London

Managers
Banca di Roma SpA - Hong Kong Branch
Bank Austria Aktiengesellschaft, Singapore Branch
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INTERNATIONAL CAPITAL MARKETS

Prices firm before Greenspan speech

GOVERNMENT BONDS

By Vincent Boland and Greta Steyn in London and John Labate in New York

Bond markets edged higher yesterday ahead of Mr Alan Greenspan's semi-annual report on the state of the US economy. The Federal Reserve chairman addressed Congress in the first leg of his semi-annual Humphrey-Hawkins testimony after European markets closed.

Firmer US Treasuries supported the better mood. High-yielding European markets, in particular, made gains on a more positive reading of Monday's French public finances audit.

ITALIAN BTPTs were the day's best performers, the yield over German bunds falling to 87 basis points. With France heading for a budget deficit of 3.1 per cent to 3.3 per cent of gross domestic product, Italy is well-placed to join a broad European monetary union.

Some analysts cautioned that the lack of surprises, either positive or negative, in the French audit shed little light on Emu qualifications.

"It failed to clarify who's better in - all it did was put Emu back on track," said Ms Sally Wilkinson, at Daiwa Europe in London.

However, combined with good inflation figures from

the main cities and a stronger lira, the reawakening of convergence hopes helped drive the September bond futures contract up 1.00 to settle in London at 136.56.

SPANISH BONOS also gained in sympathy, with analysts seeing scope for further spread tightening at the long and short ends of the yield curve on the back of a much stronger convergence play. The September futures contract settled 0.40 higher at 117.98.

FRENCH OATs were also firmer on relief over the government's deficit reduction package. The September futures contract settled at 130.70, up 0.43.

UK GILTS rose, cheered by

the International Monetary Fund's view that interest rates might not have to rise as much as feared. The September futures contract reached a high of 115.02 before settling at 114.30, up from Monday's 114.15.

The market will focus today on the auction of \$2bn of 8 per cent gilts due 2021. Some analysts believed Mr Greenspan's testimony could make it a tough sell.

Mr Andrew Roberts, of UBS, warned that the auction might not go very well if the market rose any further from present levels before it took place.

The market will also be taking a close look today at retail sales figures for June

for signs of inflationary pressure from consumer spending and for an immediate reading on the direction of interest rates.

GERMAN BONDS also had a firmer tone. The September futures contract settled at 103.03, up from Monday's 102.81, but up on its overnight level of 102.72. One analyst said the contract was struggling to break out of its recent trading range and that there was little scope for the market to rise further.

US TREASURIES moved higher in early trading ahead of Mr Greenspan's testimony. The benchmark 30-year bond rose 1/8 to 101 1/8, sending the yield lower to 6.507 per cent. Meanwhile,

the two-year note rose 1/8 to 100 1/8, yielding 5.894 per cent while the 10-year Treasury bond gained 1/8 to 102 1/8, yielding 6.327 per cent.

"We've had nothing but buyers today, with buying of the two-year note against the back end of the curve," said Mr John Spinnello, government securities strategist at Merrill Lynch.

Weakness in the long bond price drove its yield above 6.5 per cent in Monday trading, days after it hit its lowest yield since late last year. With little new economic data to drive the market, the Fed chairman's remarks about inflation and economic growth could lead to further selling.

Hong Kong group poised for \$2bn deal

By Edward Luce in London and Louise Luce in Hong Kong

Hutchison Whampoa, one of Hong Kong's leading blue chip companies, is expected this week to launch the first significant bond by a Hong Kong company since the former UK colony was returned to Chinese sovereignty at the start of this month.

Bankers said the eurobond - expected to be launched in four tranches - could amount to \$2bn, twice the size of the original planned total. "There is obviously very strong demand for such rare paper," said one dealer in London. "It is not often that Hong Kong companies come to the market and when they do, investors are usually enthusiastic."

Analysts said currency turmoil in south-east Asia - including devaluations of the Thai baht and Philippine peso - had boosted the attraction of Hong Kong debt to overseas buyers. The Hong Kong dollar is pegged to the US dollar. "There is no question of the Hong Kong dollar coming under speculative attack," said one economist. "It is a safe haven for investors."

The bond, to be lead-managed by Merrill Lynch and Goldman Sachs, is expected to include 10, 20, 30 and 40-year tranches with a 12-year put option on the 40-year.

Hutchison Whampoa has been one of Hong Kong's most aggressive corporates in the international equity and syndicated loan markets. Last year it signed a US\$1.5bn long-term loan facility, Hong Kong's biggest ever corporate borrowing.

Hong Kong corporates have traditionally been debt averse: partly because it goes against the grain of family ownership and support, but also due to the ease of raising equity in Hong Kong, which has deterred many corporates from seeking the credit ratings necessary for bond issues.

However, the trend began to change in 1993, when a vogue for convertible bonds - a halfway house between bonds and equity - prompted blue chips such as Wharf (Holdings) to acquire ratings. Other conglomerates and property developers, including Swire Pacific and Sun Hung Kai Properties, followed suit.

More recently, Peregrine Investments Holdings, the pan-Asian merchant bank, obtained a rating this year from Japan Bond Research Institute as part of its efforts to expand its funding base.

Traders believe there is now a window of opportunity for Hong Kong corporates to tap the bond markets, as fund managers are scrambling for places to allocate Asian funds.

Hong Kong's large reserves and sound economic fundamentals have convinced most analysts it would emerge unscathed from attack by speculators. But corporates seem slow to exploit this opportunity. Only Hopewell Holdings, the infrastructure company, is said to be considering a bond issue - more than two years after scotching a similar plan when it received a lower than expected credit rating. Market sources suggest Hopewell is looking to launch a US\$600m bond.

ICI in first issue since demerger of Zeneca

INTERNATIONAL BONDS

By Krishna Guha and Edward Luce

Imperial Chemical Industries yesterday followed up its recent \$6.5bn syndicated loan with a \$500m eurobond - its first since demerging from Zeneca in 1993. The five-year issue, priced to yield 50 basis points over Treasuries, tightened fractionally after launch.

ICI, which views the bond as a benchmark for future offerings under its European medium-term note programme, said the proceeds would refinance part of the syndicated loan.

Yesterday's offer was more than 25 basis points cheaper than its recent syndicated funding, at 55 basis points over the London interbank offered rate. The loan was signed shortly after ICI's takeover of Unilever's specialty chemicals business.

An official at UBS, joint book-runner with Deutsche Morgan Grenfell, said the paper was distributed widely, with Swiss, German, middle eastern and Asian investors participating.

RELIANCE INDUSTRIES, India's leading petrochemicals company, became the first Indian corporate borrower to tap the sterling market. Its £150m 10-year issue was priced at 185 basis points above gilts.

Merrill Lynch and HSBC ran the book. The issue was bought by UK, US and continental European institutions and tightened to 183 points in secondary trading.

Mr Matthew Panikar, managing director of Reliance Europe, said the issue would diversify funding sources and allow it to retire expensive domestic debt. Reliance has issued \$764m of Yankee bonds in the past 18 months. It chose to diversify into sterling because

"we felt this is a market that very closely follows the US," said Mr Panikar. Investors could compare the yield with Reliance's existing 10-year dollar debt.

Reliance's BB-/Baa3 rating is constrained by India's sovereign ceiling. Mr Panikar said "we are paying about 1 per cent additional premium" as a result.

CITIC, China's state-owned investment arm, returned to D-Marks with a DM200m five-year issue priced to yield 62 basis points over bunds, five points over sovereign debt.

This one hit choppy waters, as China's sovereign spread widened by about 3 basis points during the day. Citic followed China out to 65 points. Book-runner Commerzbank bought back about DM15m, saying the issue would take time to place.

But it said the bonds were popular with high yielding emerging market debt funds and, more surprisingly, with EU retail investors. "When interest rates are low people go to high yield," said Commerzbank. "China was sold to retail investors, and Citic was sold as 100 per cent China."

New international bond issues

Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book-runner
■ US DOLLARS							
Fuji Bank Int'l Inc	600	(6 1/2)	100.00	undated	0.75%		Fuji Int'l/Morgan Stanley
ICI Investments (Netherlands)	500	6.75	99.85	Aug 2002	0.325%	+5000	Deutsche MG/UBS
ICI Series A202	200	100.00	Aug 2002	0.218%			Deutsche MG/UBS
ICI Series B202	100	(6 1/2)	100.00	Aug 2002	0.231%		Deutsche MG/UBS
ICI Series C202	100	6.625	99.987	Aug 1999	0.125%	+3200	Salomon's G&H
ICI Series D202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series E202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series F202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series G202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series H202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series I202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series J202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series K202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series L202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series M202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series N202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series O202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series P202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series Q202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series R202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series S202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series T202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series U202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series V202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series W202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series X202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series Y202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series Z202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AA202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AB202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AC202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AD202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AE202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AF202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AG202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AH202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AI202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AJ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AK202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AL202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AM202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AN202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AO202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AP202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AQ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AR202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AS202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AT202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AU202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AV202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AW202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AX202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AY202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series AZ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BA202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BB202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BC202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BD202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BE202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BF202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BG202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BH202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BI202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BJ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BK202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BL202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BM202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BN202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BO202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BP202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BQ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BR202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BS202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BT202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BU202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BV202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BW202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BX202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BY202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series BZ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CA202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CB202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CC202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CD202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CE202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CF202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CG202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CH202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CI202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CJ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CK202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CL202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CM202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CN202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CO202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CP202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CQ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CR202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CS202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CT202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CU202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CV202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CW202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CX202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CY202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series CZ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DA202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DB202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DC202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DD202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DE202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DF202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DG202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DH202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DI202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DJ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DK202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DL202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DM202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DN202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DO202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DP202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DQ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DR202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DS202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DT202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DU202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DV202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DW202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DX202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DY202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series DZ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EA202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EB202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EC202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series ED202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EE202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EF202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EG202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EH202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EI202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EJ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EK202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EL202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EM202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EN202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EO202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EP202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series EQ202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series ER202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series ES202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H
ICI Series ET202	100	(6 1/2)	100.00	Aug 2002	0.231%		Salomon's G&H

COMMODITIES AND AGRICULTURE

More aluminium drink cans recycled

By Kenneth Gooding,
Mining Correspondent

Aluminium beverage can recycling - which the aluminium industry promotes heavily to give itself a "green" image - continued to increase last year in Europe, Japan and the US. But the US industry is far from satisfied and is to reintroduce its can recycling campaign.

Apart from giving the right image, cans provide the industry with cheaper metal because, if they are recycled on a "closed-loop" system (from cans to scrap and back to cans again) they save as much as 95 per cent of the energy needed to produce new aluminium. Also,

the capital cost of a recycling plant is only one-tenth that for a smelter. Japan's aluminium can recycling rate overtook that of the US for the first time in 1996 and last year moved up strongly again, from 65.7 per cent to 70.2 per cent. The jump came because more towns, supermarkets and other businesses separated waste into various categories, according to Japan's Aluminium Can Recycling Association. It estimated 190,381 tonnes of cans were recycled last year.

This is well below the US level, which was about 894,000 tonnes. The US recycling rate moved up by 1.3 points to 63.5 per cent. The US Aluminium Association suggests

aluminium is the most valuable material to be recycled - the US industry paid about \$1.08bn for used beverage cans last year.

The US association has set itself a goal of lifting the recycling rate to 75 per cent by the turn of the century. The new target was set after a challenge was made to the industry by Mr Brian Sturgell of Alcan, the Canadian group, who pointed out at the association's Aluminex conference in May that US consumers today believe virtually any material was recyclable.

One of the main components in the strategy, therefore, will be to remind consumers about aluminium's value. It is worth about 10

times as much as other used packaging and the aluminium can is the only recycled beverage container to cover the cost of recycling.

In Europe, excluding central and eastern Europe, the aluminium can recycling rate moved up by 6.5 points to 37 per cent last year. This involved about 75,000 tonnes of aluminium being returned to the economy, according to Aluminium Can Recycling Europe.

Mr Alexander Wirtz, general manager for Acre, points out that recycling rates vary from country to country because of variations in sizes of national drink can markets, per capita consumption, alu-

minium's share of the markets, the types of collection infrastructures, national cultures, and different levels of environmental awareness.

For example, Sweden's recycling rate last year remained at 91 per cent because it has a mandatory deposit scheme. The poorest result in the 17 western European countries monitored by Acre came from France, with a rate of 14 per cent.

Switzerland, Germany, Norway, Iceland and Finland are also keen can recyclers, with rates of 87 per cent, 81 per cent, 80 per cent and 80 per cent respectively. Joining France among the laggards are Portugal, at 17 per cent; Spain, 19 per cent; and Ireland, 20 per cent.

Fischler stays cool under fire

By Alison Maitland

Everyone knows it will not be easy to reach Europe-wide agreement on reforming the Common Agricultural Policy. But yesterday brought a glimpse of just how intractable the negotiations are likely to be.

Mr Franz Fischler, the farm commissioner, answered questions by satellite from agriculture journalists around the European Union on the Agenda 2000 reforms unveiled in Brussels last week.

The questions came thick and fast from Athens, Helsinki, the Hague, London and Dublin. There were few common themes, little consensus and much preoccupation with the individual concerns of each country.

Asked about the hostile response of some continental European farming lobbies to the reforms, Mr Fischler said: "We've got to be aware that the taxpayer is asking more and more why we're spending this money, and on what? The readiness of governments to finance surpluses in this way has also disappeared."

Irish journalists wanted to know if the next round of CAP reform would be any more successful than the 1992 MacSharry reforms in



Franz Fischler: quizzed by journalists over CAP reforms

making food cheaper in the shops. Mr Fischler said that was the aim - but retail price reductions depended on the level of competition in each member state.

"It's up to member states to ensure the price effect is passed on by pursuing the

appropriate national consumer policy," he said. "It's important that the reduction in prices should trickle down to the consumer."

From northern Europe he came under pressure to comment on the merits of intensive versus non-intensive

beef production, while from Athens in the south came bitter criticism about the lack of compensation payments to the olive oil sector.

Mr Fischler expressed some astonishment. "But there are not going to be any price reductions in this sector," he said. "Indeed, we're attempting to structure the sector to maximise the market outlets."

Next he had to defend himself against charges from the UK that the proposals were woefully short of a role for environmentally friendly farming. "We're coming up with a whole series of proposals aimed at improving the environmental conditions related to agricultural practices," he insisted.

"The details of the reforms had yet to be fleshed out. But some farmers' organisations criticised the proposals as 'too environmentally-friendly', taking insufficient account of the demands of agricultural production."

"So I think perhaps we're going in the right direction," he smiled.

Mr Fischler remained cool under fire. No doubt he saw the satellite interchange as a gentle induction to the real fight ahead, when detailed proposals are discussed formally by EU farm ministers in the autumn.

Fund buying boosts sugar

By Gary Mead
and Kenneth Gooding

The normally lacklustre sugar futures markets in London and New York showed signs of renewed interest yesterday, with steady investment fund buying driving up prices.

On the London International Financial Futures Exchange the sugar-traded sugar contract for the nearest month, October, reached a peak of \$328 a tonne in afternoon trading - the highest since September last year and close to the contract high of \$329.70.

On New York's Coffee, Sugar and Cocoa Exchange the October contract reached a record 11.65 cents a pound, though later fell back to 11.55 cents. 0.3 cents higher on the day. Specialists said no new fundamental factors were influencing the market and the interest was driven by fund speculation.

Elsewhere on Liffe, robust coffee futures for September rallied slightly after falling to a six-month low of \$1.47 a tonne in the afternoon. By the close they had recovered to \$1.505,

down \$42 on the previous day. That was better than some had anticipated, given that weather forecasters are now almost certain that Brazil's crop will escape frost. The September contract also improved on the CSCE, in later trading it had gained 11.65 cents to 170.50 cents a pound amid renewed fund interest.

Cocoa continued in the doldrums on projections of good crops in Ivory Coast and elsewhere. On Liffe the September contract ended \$10 lower at \$975 a tonne, having slipped as low as \$968 earlier in the day.

London Metal Exchange zinc moved to a seven-year high of \$1,552.50 a tonne in late trading and also briefly went into backwardation - when there is a premium for immediate delivery. One analyst suggested some investment funds had been squeezing the market.

Stocks of copper in LME warehouses rose by a hefty 11,600 tonnes to 195,950 tonnes. The premium for copper for immediate delivery, compared with three-month metal, eased from \$129 a tonne overnight to \$88 at one point. By the close it was back to \$100 a tonne.

COMMODITIES NEWS DIGEST

Breakwater in two zinc deals

Breakwater Resources of Canada is digging deeper into zinc production with two deals in two days. The company, which already has two mines scheduled to produce 120,000 tonnes of zinc, 22,000 tonnes of lead and 2m ounces of silver this year, is to buy the assets of the Bougrine lead-zinc mine in Tunisia, which closed last year because of low prices, as well as the El Toqui zinc-gold mine in Chile.

Breakwater will pay US\$18.3m for Bougrine and will spend \$7m to upgrade it. Bougrine cost \$30m to develop and Inmet of Canada, which owned 48 per cent, has already written off all its investment. In 1995 Bougrine produced 75,768 tonnes of zinc and 9,386 tonnes of lead.

El Toqui has three mines, two at present out of production. The third, Dona Rosa, last year produced 35,433 tonnes of zinc and 6,250 ounces of gold. Breakwater, which is paying Barrick Gold \$6m in cash, putting in working capital and paying a royalty on El Toqui's output, said the two deals will increase its proven and probable zinc reserves by 50 per cent as well as boost earnings and cash flow.

Kenneth Gooding

TURKISH MINING

Eurogold denies suspension

Eurogold, the joint venture company developing Turkey's first gold mine, yesterday denied that it was suspending operations on the orders of the country's supreme court. Mr Jack Testard, the general manager of Eurogold, said he had received no official communication from the court. He said construction work at the mine was continuing normally and that he expected production to start at the end of the year as planned. Eurogold plans to produce at least three tonnes of gold a year.

Eurogold is two-thirds owned by La Source, a joint venture between Australia's Normandy Poseidon and BRGM, France's privatised geological survey. Inmet Corporation of Canada owns the remaining one-third.

The company has invested \$15m in the project but has run into fierce resistance from local villagers, left-wing politicians and environmentalists alarmed by its planned use of cyanide to extract gold from the ore.

John Barham, Ankara

OIL EXPLORATION

Greece signs agreement

Greece yesterday signed an exploration agreement with a consortium of international oil companies to prospect in western Greece. Development ministry officials said the companies would invest over \$37m over the next six years in exploring two separate concessions.

Enterprise Oil of the UK, Union Texas, the US producer, and MOL of Hungary, are to prospect two onshore blocks in the north-western Peloponnese and Epirus, south of Albania's oil-producing region and drill exploratory wells. Greece's state-owned oil exploration company, DEPEKY, will have a 12 per cent stake in the consortium and would participate in developing any oilfield discovered, the officials said.

Kerim Hope, Athens

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Unsmelted Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Sett	Day's	High	Low	Open
Aug	325.3	-0.2	325.3	325.3	325.3
Oct	325.3	-0.2	325.3	325.3	325.3
Dec	325.3	-0.2	325.3	325.3	325.3
Jan	325.3	-0.2	325.3	325.3	325.3
Feb	325.3	-0.2	325.3	325.3	325.3
Mar	325.3	-0.2	325.3	325.3	325.3
Apr	325.3	-0.2	325.3	325.3	325.3
May	325.3	-0.2	325.3	325.3	325.3
Jun	325.3	-0.2	325.3	325.3	325.3
Jul	325.3	-0.2	325.3	325.3	325.3
Aug	325.3	-0.2	325.3	325.3	325.3
Sep	325.3	-0.2	325.3	325.3	325.3
Oct	325.3	-0.2	325.3	325.3	325.3
Nov	325.3	-0.2	325.3	325.3	325.3
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Apr	325.3	-0.2	325.3	325.3	325.3
May	325.3	-0.2	325.3	325.3	325.3
Jun	325.3	-0.2	325.3	325.3	325.3
Jul	325.3	-0.2	325.3	325.3	325.3
Aug	325.3	-0.2	325.3	325.3	325.3
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3	Recreation
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PH 143	143	John Smith	123 Main St	Anytown	CA	90210
144	144	Jane Doe	456 Elm St	Anytown	CA	90210
145	145	Bob Johnson	789 Oak St	Anytown	CA	90210
146	146	Alice Brown	101 Pine St	Anytown	CA	90210
147	147	Charlie Green	202 Maple St	Anytown	CA	90210
148	148	Diana White	303 Birch St	Anytown	CA	90210
149	149	Frank Black	404 Cedar St	Anytown	CA	90210
150	150	Grace Hall	505 Elm St	Anytown	CA	90210
151	151	Henry King	606 Oak St	Anytown	CA	90210
152	152	Irene Lee	707 Pine St	Anytown	CA	90210
153	153	Jack Miller	808 Maple St	Anytown	CA	90210
154	154	Karen Wilson	909 Birch St	Anytown	CA	90210
155	155	Leo Taylor	1010 Cedar St	Anytown	CA	90210
156	156	Mary Evans	1111 Elm St	Anytown	CA	90210
157	157	Nathan Scott	1212 Oak St	Anytown	CA	90210
158	158	Olivia Adams	1313 Pine St	Anytown	CA	90210
159	159	Peter Baker	1414 Maple St	Anytown	CA	90210
160	160	Quinn Carter	1515 Birch St	Anytown	CA	90210
161	161	Rachel Davis	1616 Cedar St	Anytown	CA	90210
162	162	Samuel Evans	1717 Elm St	Anytown	CA	90210
163	163	Tina Foster	1818 Oak St	Anytown	CA	90210
164	164	Victor Green	1919 Pine St	Anytown	CA	90210
165	165	Wendy Hall	2020 Maple St	Anytown	CA	90210
166	166	Xavier King	2121 Birch St	Anytown	CA	90210
167	167	Yvonne Lee	2222 Cedar St	Anytown	CA	90210
168	168	Zoe Miller	2323 Elm St	Anytown	CA	90210
169	169	Adam Wilson	2424 Oak St	Anytown	CA	90210
170	170	Bella Taylor	2525 Pine St	Anytown	CA	90210
171	171	Carl Adams	2626 Maple St	Anytown	CA	90210
172	172	Dora Baker	2727 Birch St	Anytown	CA	90210
173	173	Eugene Carter	2828 Cedar St	Anytown	CA	90210
174	174	Fiona Davis	2929 Elm St	Anytown	CA	90210
175	175	Gordon Evans	3030 Oak St	Anytown	CA	90210
176	176	Helen Foster	3131 Pine St	Anytown	CA	90210
177	177	Isaac Green	3232 Maple St	Anytown	CA	90210
178	178	Julia Hall	3333 Birch St	Anytown	CA	90210
179	179	Kyle King	3434 Cedar St	Anytown	CA	90210
180	180	Laura Lee	3535 Elm St	Anytown	CA	90210
181	181	Mark Miller	3636 Oak St	Anytown	CA	90210
182	182	Nancy Wilson	3737 Pine St	Anytown	CA	90210
183	183	Oscar Taylor	3838 Maple St	Anytown	CA	90210
184	184	Pamela Adams	3939 Birch St	Anytown	CA	90210
185	185	Quinn Baker	4040 Cedar St	Anytown	CA	90210
186	186	Rachel Carter	4141 Elm St	Anytown	CA	90210
187	187	Samuel Davis	4242 Oak St	Anytown	CA	90210
188	188	Tina Evans	4343 Pine St	Anytown	CA	90210
189	189	Victor Foster	4444 Maple St	Anytown	CA	90210
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191	191	Xavier Hall	4646 Cedar St	Anytown	CA	90210
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194	194	Adam Wilson	4949 Pine St	Anytown	CA	90210
195	195	Bella Taylor	5050 Maple St	Anytown	CA	90210
196	196	Carl Adams	5151 Birch St	Anytown	CA	90210
197	197	Dora Baker	5252 Cedar St	Anytown	CA	90210
198	198	Eugene Carter	5353 Elm St	Anytown	CA	90210
199	199	Fiona Davis	5454 Oak St	Anytown	CA	90210

Year	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
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2 Revolution Plot...
 3 Revolution Plot...
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 5 Revolution Plot...

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P/E	AT & T US\$
8.4	Abbott Labs US\$
10.1	Abram's Express
11.4	Aetna US\$
12.7	Aeromexico US\$
11.7	Amstar—Banc
12.1	BancoAmerica US\$
7.5	Banque Trust Int
9.9	Bell Atlantic US\$
9.9	BellSouth US\$
9.2	Bend Sinister Steel
9.8	GPC US\$
9.8	Chase Manhattan
9.8	Cingular US\$
11.2	Citigroup US\$
9.8	Colgate—Palm LI
10.0	Costa Concordia US\$
9.7	Decora Inter
	Dyn & Brad US\$
	Easton US\$

	Food Income US
	Ford Motor US
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	Glaxo US
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	Honeywell US
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-	Gulf Can CS
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-	SA Brns

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-	Prices for the
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17.3	foreign stocks
25.2	local Stock Ex
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12.4	Market capital

21.9	Yields are based on credit of $\frac{1}{8}$ and higher
8.1	Estimated Net in place per premium (P)
55.4	assumes price
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25.3	Indicates
12.9	Merger
17.4	Forecast
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LONDON STOCK EXCHANGE

Footsie recovers ground after two-day slide

MARKET REPORT

By Peter John

Leading UK equities traded brightly yesterday with dealers adjusting to a two-day slide that had seen the blue-chip index fall about 200 points from its intra-day peak.

Footsie opened 12 points up on the previous day's close and maintained a firm trend. Then, support in the afternoon from a strong start by the Dow Jones Industrial Average, gave another lift which saw the UK index close 41 up at 4,467.7, just below its high of the day.

The second-line indices were

less fortunate. The FTSE 250 was marginally weaker, ending 3.3 lower at 4,461.8, and the Small-Cap was only up 0.5 at 2,189.0.

Turnover by 6pm had reached 878.3m shares with 56 per cent of the volume traded in Footsie stocks.

It was helped by massive put-throughs in GrandMet and Guinness as Mr Bernard Arnault, the chairman of LVMH, shifted holdings in the two companies in what was seen as an attempt to stabilise their merger plans.

Market nerves were steadied from the outset by Monday night's close on Wall Street, as well as an International Monetary Fund report which said UK

rates might need to rise less than commonly expected to prevent the economy overheating.

Both equity and government bond traders largely ignored the impact of sterling, which was moving up towards levels not seen on the exchange rate index since the Gulf war seven years ago.

Footsie rose smartly to record a 30-point improvement during the morning as institutional investors and marketmakers began to discount the impact of any negative repercussions from last night's Humphrey Hawkins testimony in the US.

In December, when Mr Alan Greenspan, the chairman of the

US Federal Reserve, last commented on the state of the economy, his remark about "irrational exuberance" in financial markets prompted steep slides in equity prices.

But most strategists expected that yesterday's statement, due after the UK market closed, would be more circumspect.

In the afternoon, the Dow was up smartly during New York's first hour of trading in spite of a sharp fall in IBM, prompted by the company's interim earnings figures.

That strength gave scope for further gains in London. Mr Jonathan Stubbs, UK equity strategist with HSBC James

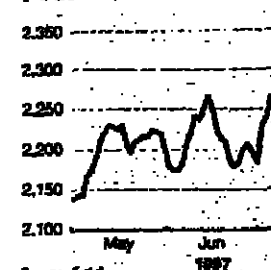
Capel, said: "We have institutional cash holdings at a historic high of 7 per cent compared with the average of around 3.5 per cent."

"We have merely got back to the strategy of buying on any consolidation we see in the market."

The rally was helped further by encouraging figures from Smith-Kline Beecham, the pharmaceuticals group, and the arrival in the market of Billiton, the mining group, which made its trading debut with a market value of around £4.6bn.

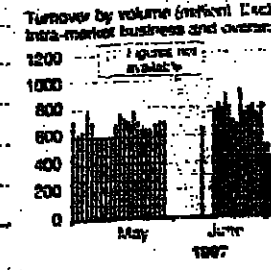
However, British Airways was dragged lower by downgrades and strike concerns.

FTSE All-Share Index



Source: Ecol

Equity shares traded



Turnover by volume (million) Excluding intra-market business and overseas turnover

Indices and ratios	FTSE 100	FTSE 250	FTSE All-Share	FT 30	FTSE Non-Fin p/b	FTSE 100 Div Yld	10 yr Gilt yield	Long gdt/Equity Yld ratio
	4467.7	4461.8	2270.9	3072.5	19.14	3.73	7.07	2.07
	+41.0	-3.3	+15.0	+11.0	+0.0	+0.0	+0.0	+0.0
	-2.3	+15.0	+1.5	+7.0	+7.0	+7.0	+7.0	+7.0
	2325.4	2325.4	2270.9	3072.5	19.14	3.73	7.07	2.07
	2270.9	2270.9	2270.9	3072.5	19.14	3.73	7.07	2.07
	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41

Best performing sectors	Worst performing sectors
1 Tobacco +2.3	1 Health Care -1.4
2 Pharmaceuticals +1.8	2 Paper Pkg & Print -0.8
3 Media +1.5	3 Gas Distribution -0.8
4 Consumer Goods +1.3	4 Insurance -0.6
5 Breweries, Pubs & Rest +1.2	5 Transport -0.5

GMet boosted by LVMH

By Joel Kibazo and Martin Brice

Drinks and spirits giant Grand Metropolitan was centre stage as LVMH, the French group, raised the stakes in its attempt to influence the proposed £24bn merger of Guinness and Grand Metropolitan.

Dealers acting for LVMH moved into the market in early afternoon and, by the close of business yesterday, had acquired at least 2 per cent of GrandMet, taking its stake above 3.4 per cent. Dealers said LVMH had been seeking three GrandMet shares in exchange for two Guinness shares and 20p plus cash to the value of one GrandMet share.

Turnover in Guinness was 47m shares, making it the third most actively traded stock in the FTSE 100. GrandMet, in which 118m had been dealt by the close, was easily the most active Footsie constituent. Turnover included a single trade of 47m shares at 630p a share. Guinness closed 9½ off at 586p while GrandMet put on 16 to 622p.

Speculation in the market suggested that Mr Bernard Arnault, the chairman of LVMH who resigned from the board of Guinness on Monday, might sell more of his holding in the UK spirits

giant. The French company held a 14.2 per cent stake in Guinness before reducing its holding yesterday.

The pharmaceutical reporting season began with SmithKline Beecham turning in a performance that saw the shares gain 49 to 212.18½. The driving force behind the advance was helped by the announcement that it would help market Baycol, the cholesterol-lowering agent from Germany's Bayer in the US. The stock figures prominently in US investment portfolios and there was said to be US buying interest yesterday, driven partly by hopes for Baycol in the US market.

Mr Kevin Scotcher at NatWest said: "Baycol is a very significant event, and is material to the earnings progression on the company."

Analysts said the market was looking past the effect of the strong pound on the company's profits, which came in ahead 4 per cent in the second quarter at £36m. If currency factors were stripped out, the profit would have been £39m, an underlying increase of 16 per cent. The company also announced a one-for-one share split.

The positive sentiment spread to Glaxo Wellcome, which rose 19½ to £13.39½. However, Zeneca, which has been subject to a series of currency-related downgrades which yesterday included Lehman Brothers, was off 16½ at £20.85.

Medeva, on which Merrill Lynch has downgraded its earnings per share forecast for this year by 9 per cent

due to the effect of the strong pound, gave up 4 to 212p.

The worst performer in the Footsie was British Airways. The shares lost 34½, or 5.2 per cent to 630p. Sentiment was hit by reports of a "premier traffic" at BA. One analyst said: "If this is true, then the costs of the strike will have been far greater than we had anticipated."

EMI firmed 17½ to 784p and Thorn rose 4½ to 169½ following their commencement of a buy-back designed to return £587m to shareholders.

EMI said it had discovered an additional 34 US letters of redemption for its B share offer, which brought the rate of acceptance of its offer to 54.82 per cent of the B shares available.

Billiton, which starts trading officially on Monday, rose a penny to 221p in the

when-issued stock after its over-subscribed placing, giving the mining company a market capitalisation of about £4.6bn.

The stock is expected to enter the FTSE 100 after the quarterly meeting of the committee, due in September.

ICI was up 4½ to 921½p ahead of interim results tomorrow with US interest said to be a feature. Sutherland's has told its clients that US buyers hold about 16 per cent of the stock, and their support "reflects enthusiasm over the corporate overhaul, and should underpin the price for now".

However, the broker warns that the rating is "looking topmy on even the most optimistic valuation".

The broker has also suggested clients buy BTP, which firmed to 35p.

UK food distributor Booker advanced 17½, or 7 per cent, to 264½p after UBS, one of its house brokers, reiterated its positive stance on the stock.

The shares have been weak recently, having fallen from a 12-month high of 417½p to a low of 270½p after exceptional charges dragged 1996 profits lower.

A statement in the last hour of trading from Group Helped the shares reverse an earlier decline. They eventually closed 1½, up at 56½p.

The company said it had noted the recent fall in the market price of Save's shares for which it knew of no reason.

There was a two-way pull in retailer WH Smith, which left the shares marginally firmer at 365½p.

However, NatWest Securities does not rate the shares and has urged investors to reduce holdings. "We believe the steep share price decline is merited by the difficult fundamentals."

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building materials group, eased to 47½p after Feather & Greenwood said: "It is hard to be more than a holder short-term."

Mr David Taylor, at the broker, told clients the company "is attractive on a medium-term view and we suspect that concern over a minerals tax in the UK is overdone".

Menvier-Swain put on 7½ to 337½p after the electrical group announced a strong profits advance and said it planned a share buy-back.

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FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LFFE) £25 per full index point	Open	Sett price	Change	High	Low	Est. Vol	Open
Sep	4467.0	4478.0	+77.0	4480.0	4460.0	10	4461
Dec	4907.0	4917.0	+77.0	4907.0	4907.0	0	101
Mar	4980.0	4990.0	+77.0				

FTSE 250 INDEX FUTURES (LFFE) £10 per full index point	Open	Sett price	Change	High	Low	Est. Vol	Open
Sep	4505.0	4505.0	-0	4505.0	4505.0	15	7117

FTSE 100 INDEX OPTION (LFFE) £4500 per full index point	Open	Sett price	Change	High	Low	Est. Vol	Open
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FTSE 250 INDEX

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US INDICES

1997										1997									
Jul		Jul		Jul		Jul		Jul		Jul		Jul		Jul		Jul		Jul	
22		21		20		19		18		17		16		15		14		13	
Low		Low		Low		Low		Low		Low		Low		Low		Low		Low	
Argentine (Sep 23/97)																			
0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00	
Australia (Jul 22/97)																			
235.4		235.4		235.4		235.4		235.4		235.4		235.4		235.4		235.4		235.4	
Asia (Jul 22/97)																			
445.9		445.9		445.9		445.9		445.9		445.9		445.9		445.9		445.9		445.9	
Belgium (Jul 22/97)																			
143.4		143.4		143.4		143.4		143.4		143.4		143.4		143.4		143.4		143.4	
Brazil (Sep 23/97)																			
0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00	
Canada (Jul 22/97)																			
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France (Jul 22/97)																			
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Germany (Jul 22/97)																			
0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00	
Italy (Jul 22/97)																			
0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00	
Japan (Jul 22/97)																			
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South Korea (Jul 22/97)																			
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UK (Jul 22/97)																			
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US (Jul 22/97)																			
0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00	
Other (Jul 22/97)																			
0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00	
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NYSE PRICES

4 pm close July 22

[illegible]**NASDAQ NATIONAL MARKET**

1 pm class July 2

[illegible]

AMEX PRICES

4 PM close July 22

[illegible]

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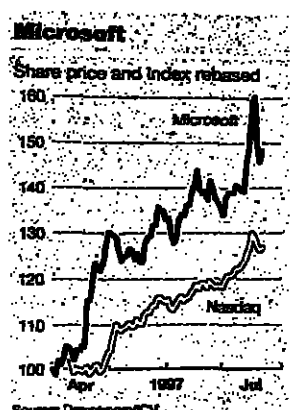
Company	Sold price	Change on day	Volume	High	Low	Company	Sold price	Change on day	Volume	High	Low
AmSatCom	US\$83		1000	82.25	83	Leinco & Huggins	US\$39	+0.12	400	38.75	38.25
Avco/Cummins	US\$8.6	-0.125	8125	8.15	8.075	Motor Int'l	US\$3.5	-0.375	0	31.75	31.625
Crescent	FF14.5		12000	18	14	NIL	US\$22	-0.35	1000	25.125	25
D. Schwab & Sons	US\$28	-0.375	700	28.375	28.075	Polich	US\$3.75	-0.125	0	6.125	6.75
East. Telecom. ADS	US\$87.35	-0.25	0	12.25	9.5	Schroder-Biederman	Sch160		1000	1165	900
Imperial	US\$14.25		16195	15.25	13.25	Topyal Int'l	Sch230	+4	3280	3318	3265

Prices for 22/7/97. Please note that mid prices are now used to calculate highs and lows.
Information about EASDAQ can be found on the Web site at: [HTTP://WWW.EASDAQ.BE](http://www.easdaq.be)
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Dow rides up on rally for bonds

AMERICAS

The US stock market shrugged off its concerns in the hours prior to Federal Reserve chairman Alan Greenspan's testimony before Congress, as all major indices rose strongly, writes John Lobato in New York. By mid-afternoon the Dow Jones Industrial Average had gained 62.95 at 7,988.67. The broader Standard & Poor's 500 index also moved higher, adding 8.86 at 921.60. The bond market seemed



little concerned that Mr Greenspan would signal a Fed policy shift in his presentation. By lunchtime the long bond price was higher at 101.14, sending the yield down to 6.505 per cent. "There is a bit of wariness, but the market is saying it isn't that worried," said Mr Warren Epstein, director of trading at Richard Rosenblatt & Company in New York. "Mr Greenspan learned a valuable lesson in market hand-capping last time and he'll likely refrain from discussing the stock market," said Mr Joseph Battaglia, chief investment strategist at Grunthal & Company. After trading down in the last few sessions, the Nasdaq

composite rebounded, rising 11.95 to 1,547.48. Leading the way higher was software leader Microsoft, which rose \$3 at \$139.84. Since reporting earnings last week, its shares had plunged nearly 10 per cent.

Other industry gainers included Dell Computer, which rose \$4.44 at \$157.44. In the Dow, tobacco company Philip Morris surged \$1.44 at \$42.04 on a solid earnings report and expectations that President Clinton's task force would endorse the industry's recent agreement. Boeing leapt 8 1/4 at \$55.88 on speculation that a US-EU agreement was near concerning its planned merger with McDonnell Douglas.

TORONTO moved higher, boosted by Wall Street's early gains and a better showing for gold shares. At the noon calculation, the 300 composite index was 32.71 ahead at 6,890.10.

Banks made good progress with Royal Bank of Canada adding 50 cents at C\$67.70 and Bank of Montreal gaining 20 cents at C\$46.45. Canadian Imperial Bank of Commerce rose 50 cents to C\$38.40 on news of the \$555m acquisition of a US broker.

Among gold leaders, Barrick improved 75 cents to C\$31.20 after the company forecast improved 1997 earnings. Placer Dome advanced 50 cents to C\$23.00. Barrick reported lower second-quarter results with earnings per share slipping from 19 cents a year ago to 16 cents, but said higher production and reduced operating costs would deliver a stronger financial performance in the second half. Potash Corporation of Saskatchewan tumbled C\$4.96 or 4.5 per cent to C\$108.05 after the German government vetoed the planned takeover of Kali & Salz, part of the BASF group.

Sao Paulo shoots higher

A burst of buying by domestic and foreign investors sent SAO PAULO shooting ahead in early trading. It was heady stuff and allowed the bourse to claw back more than 40 per cent of the previous week's net losses. At mid-session, the Bovespa index was 823 or 7.3 per cent higher at 12,115. Blue chips led the rally as investors put their earlier currency worries to one side and scrambled to unwind last week's big sell positions. Telebras advanced 8.3 per cent to R\$153.80 and Electro-

bras jumped 8.9 per cent to R\$589. Petrobras was only slightly outgunned, adding 7.1 per cent to R\$303. SANTIAGO also moved steadily higher, adding 2.08 to 29.41 on the IPSA index at mid-session. Electricity stocks provided most of the upward drive. Enersis advanced 7.00 pesos to 294 pesos. MEXICO CITY rose 78.98 to 4,698.20 on the IPC index at mid-session. In CARACAS the IBC index was 100.49 higher at 9,222.08 at mid-session.

S Africa mixed in dull trade

Shares in Johannesburg had a mixed session with the all-share index ending little changed in dull volume. Brokers said trading was hesitant from the outset with dealers content to sit tight ahead of the latest round of Fed-speak from Mr Alan Greenspan in his Humphrey-Hawkins testimony. "There were big trades in a number of blue chips but otherwise the action was limited," said one broker. The all-share index ended

the day 1.7 lower at 7,430.2. Industrials gained 5.2 to 8,984.9 but golds gave up nearly all Monday's gains, ending on 15.0 at \$69.2 as the bullion price had another unstable session. Gencor ended 20 cents weaker at R19.20 in turnover of R71m and Remgro added 30 cents at R45.50 in R52m. Anglo American traded R63m to close up R1 at R260. South African Breweries shed 75 cents to R140.25.

EUROPE

Merger fever in the banking sector and a strengthening dollar took FRANKFURT up 3.8 per cent and back into record territory.

Shares of the top five banks all rocketed between 7 and 12 per cent higher as Monday's merger news from Bayerische Hypotheken- und Wechsel Bank brought speculation about new alliances throughout the sector.

The Ibis-Indicated Dax index closed 157.68 higher at 4,297.64 as the early gains on Wall Street also supported the market.

Commerzbank, which will become Germany's fourth-largest bank, surged DM6.11 to DM62.89 on the view that it had now become a prime takeover target. Vereinsbank rose DM3.10 to DM100 while Hypo-Bank rose DM6.76 to DM75.50. BHF Bank rose DM5.50 to DM55.30. Allianz, the insurance group, which is the top shareholder in Hypo-Bank, rocketed DM32.05 to DM460 as CS-First Boston upgraded its recommendation on the insurer and set a target price for the stock of DM580.

Elsewhere, Adidas, the sportswear group viewed as a likely candidate for inclusion in the Dax index, jumped DM3.30 to DM19.95 as a committee of bank and house officials met to review the index portfolio.

Lufthansa rose DM2.49 to SM35.25 after Deutsche Mor-

FTSE Actuaries Share Indices

July 22	July 21	July 20	July 19	July 18	July 17	July 16	July 15
FTSE 100	2,853.87	2,853.87	2,853.87	2,853.87	2,853.87	2,853.87	2,853.87
FTSE 250	2,853.87	2,853.87	2,853.87	2,853.87	2,853.87	2,853.87	2,853.87
FTSE 350	2,853.87	2,853.87	2,853.87	2,853.87	2,853.87	2,853.87	2,853.87

gan Grenfell recommended switching into the airline from British Airways. DMG also raised its earnings per share estimates for 1997 and 1998.

AMSTERDAM pushed ahead strongly with a stellar performance from ABN Amro helping to drive the AEX index up 28.28 to 860.82 in heavy trading volume.

ABN jumped F13.40 or 7.5 per cent to F148.30 in volume of 9.9m shares as talk of imminent corporate activity replaced Philips as a whole were strong. Aegon gained F15.30 to F155 and Fortis Amey F13.40 to F194.90.

Philips surged F14.70 to F152.70 ahead of tomorrow's results statement while PolyGram, the electronic giant's entertainment offshoot, put on 90 cents to F101.90 on dull results that "could have been a whole lot worse", according to one broker.

CAN rose F1.49 to F129.40 after hitting a high of F123 on the news of a German acquisition which is seen as giving DSM a leading position in the Euro-

pean polyolefins market. PARIS shared in the general improvement across Europe, adding 47.01 at 2,921.13 on the CAC 40 index as worries about France's planned corporate tax increase were pushed into the background.

Volume was relatively modest but there was no shortage of features. Renault was the day's hot stock, jumping FFR9.30 or 6 per cent to FFR164.80, and Legrand advanced FFR7.19 to FFR119.97 on upbeat broker comment. Lafarge gained FFR18 to FFR398 after a profit upgrade from Societe Generale.

Rhone-Poulenc put on FFR2.60 to FFR244.90 ahead of Friday's turnover figures. LVMH came off FFR7.50 to FFR15.59 as Mr Bernard Arnault, the chairman, continued with his attempts to thwart the planned merger between Grand Metropolitan and Guinness.

CAN rose FFR5.50 to FFR151.50 for a two-day gain of 4 per cent following the announcement that the government is to go ahead with the privatisation of the

EUROPEAN EQUITIES TURNOVER

Source	Mar 1997	Apr 1997	May 1997	June 1997	US \$bn
Belgium	153.54	139.44	145.80	216.32	6.02
Denmark	47.39	34.95	41.13	58.93	8.68
France	21.81	24.50	24.51	28.17	5.61
Germany	377.84	331.78	370.08	395.38	67.50
Italy	339.96	245.68	228.49	313.00	179.58
Netherlands	74.340	61.804	62.608	53.948	31.70
Norway	81.40	72.70	77.10	94.50	48.24
Spain	45.06	53.20	50.91	41.13	5.82
Sweden	2,778.54	3,324.38	3,419.78	3,984.58	24.91
Switzerland	178.82	193.78	215.50	195.94	25.30
UK	108.18	107.25	112.54	139.82	95.18
	78.26	68.56	76.40	94.91	157.84

Volumes represent purchases and sales. Italian data adjusted to include off-market trading. Some figures may be revised. Source: Reuters Securities

June proved a record-setting month for equity trading in the European bourses. Total domestic volumes rose 21.3 per cent on the month, up 60.5 per cent on June 1996 in D-Mark terms.

Record trading volumes were also set in six individual markets - Brussels, Paris, Amsterdam, Madrid, Zurich and London. At the same time, volumes declared

to Seag International in London rose by a smaller 13.3 per cent, but were nonetheless at a record level.

Mr James Cornish at NatWest Markets, who compiles the data, said all the European market indices reached record highs, responding to a 5.3 per cent rise in the Dow Jones Industrial Average, falling bond yields and a stronger dollar.

SFR51 to SFR1,005 on expectations that it would today report a rise in first-half sales of around 20 per cent. Nestle and Surveillance, regarded as being among the most dollar-sensitive stocks on the bourse, underperformed the market.

Nestle added SFR10 to SFR1,875 while Surveillance gave up SFR25 to SFR3,025. Among financials, CS

ing Monday's session, recouped SFR3 to SFR1,925.0. STOCKHOLM saw a bounce for Volvo after the motor group's half-year results came in above brokers' estimates.

The shares rose SKr4 or 4.6 per cent to SKr213. Ericson put on SKr4 to SKr230 ahead of tomorrow's interim results. The general index picked up 52.75 to 3,139.54.

In HELSINKI, banking group Merita was said to have gained from the latest banking merger in Germany, adding FM1.20 to FM22 in volume which was hoisted to 2.9m shares by heavy foreign buying. Ratio eased FM10.00 to FM600 as the Hex index advanced 21.47 to 3,431.30.

MADRID posted one of its biggest single day gains of the year, as the market set out to recoup some of the losses seen in the previous two sessions.

The general index rose 15.83 or 2.7 per cent to 613.16. Iberdrola advanced Ptas5 to Ptas1,750 on a Goldman Sachs upgrade while BCI jumped Ptas300 to Ptas2,300 on results at the top end of expectations.

MILAN returned to its record-setting ways as industrial shares spurred ahead and banks were well supported. The Comit index advanced 21.38 or 2.3 per cent to end at 932.28.

Written and edited by Michael Morgan and Jeffrey Brown

Tokyo stays on downward path after holiday

ASIA PACIFIC

Tokyo continued downward in thin trading after a three-day holiday weekend, although late buying by domestic institutions erased some of the earlier losses.

The Nikkei 225 average improved 92.30 to 20,157.02 after moving between 20,055.61 and 20,280.33.

Most transactions were made in small lots as investors took profits on high-tech blue chips and arbitrageurs sold cash stocks in response to the decline in Nikkei-225 futures. Some leaders regained momentum in the afternoon on buying by pension funds and other domestic institutional investors.

Volume shrank from Friday's 376m shares to an estimated 279m. Declines led advances 713 to 360 with 188 unchanged. The Topix index of all first-section stocks shed 7.76 to 1,331.50 and the capital-weighted Nikkei 300 was off 1.28 at 286.08.

In London, the ISE/Nikkei 50 index rose 1.69 to 1,854.52. High-techs suffered from growing caution about their recent strong performance in New York as well as Tokyo. Tokyo Electron slid Y490 to Y6,820. Advantest Y380 to Y9,820 and Hitachi Y30 to Y1,280. Sony was unchanged at Y10,700 while TDK weakened Y250 to Y9,100.

Securities houses were the day's biggest losers, falling 2.2 per cent as a group. Yamichi Securities fell Y8 to Y301 on Friday's announcement that its recurring loss for the April-June quarter amounted to nearly Y5.5bn. Daiwa Securities fell Y33 to Y868 and Nomura Securities Y40 to Y1,490. Banks were mixed. Long-Term Credit Bank, the day's most active issue, fell Y17 to Y530 on

profit-taking after substantial gains in recent sessions on news of its global alliance with Swiss Bank Corporation. Industrial Bank of Japan fell Y30 to Y1,720 but Bank of Tokyo-Mitsubishi rose Y20 to Y2,270.

Among the day's winners were car makers. Honda rose on short-covering, gaining Y30 to Y3,470 following Friday's plunge of Y310. Toyota rose Y30 to Y3,460 and Mazda Y12 to Y388.

Pharmaceuticals also advanced. Sankey closed at Y4,300, up Y150, after reaching a record intraday high of Y4,360. Yamanouchi rose Y30 to Y3,110 and Taisho Pharmaceutical Y80 to Y2,280.

Real estate issues gained, with Mitsubishi Estate up Y30 to Y1,650 and Mitsui Fudosan Y10 to Y1,510.

In Osaka, the OSE average fell 173.62 to 20,977.53 and volume slid to 9m shares. SEOUL fell 2 per cent, pressured by rumours, strongly denied by the company, of financial troubles at Samsung Group. The composite index lost 14.95 to 725.98 as losers overwhelmed gainers by 727 to 111.

Shares of Samsung Group's 10 listed affiliates closed at their daily limit lows, in spite of the group's denial. The flagship Samsung Cement shed Won800 to its daily limit low of Won9,400 and Samsung Oil Refining lost Won1,500 to its daily limit low of Won17,700.

Jinro Group's shares also took a beating as creditors banks said they would not extend the bailout period for the Jinro liquor group, which expires on Sunday.

Jinro lost Won540 to its daily limit low of Won6,260. Jinro Industries dropped Won360 to its daily limit low of Won4,190 and Jinro General Foods fell Won320 to

its limit low of Won3,680. Elsewhere, news that creditor banks had agreed to extend Won160bn in emergency loans to rescue the Kia Group failed to lift Kia shares. Kia Steel sank Won180 to its daily limit low of Won3,100 and Kisan dropped Won590 to its limit low of Won6,030. Kia Motors closed flat at Won2,100.

TAIWAN ran into heavy profit-taking after the local SEC called for tougher accounting. The weighted index fell from a high of 9,877.39 to close off 283.37 or 2.9 per cent at 9,550.39.

The SEC called for tighter checks by accountants on some electronics companies. Brokers said they were not surprised at the profit-taking since the market had hit a seven-year peak on Monday.

Winbond and Compeq fell by the daily 7 per cent limit. The former closed at T\$98.50 and Compeq at T\$94.00. Banks were also weak. Chang Hwa lost T\$6 to T\$127.

SYDNEY closed higher on improved economic activity. The All Ordinaries index, which touched a session low of 2,643.9, ended up 3.0 at 2,656.4. "The May indicator

is good news ahead of tomorrow's quarterly CPI. If inflation can also come up trumps we could see further progress," said one broker.

NAB gained 6 cents to A\$18.30 and ANZ 15 cents to A\$10.075. Among industrials, Coca-Cola Amatil was up 21 cents to A\$16.12. Cultus Petroleum rose 15 cents to A\$3.65 on takeover talk.

HONG KONG's losses deepened as the day progressed as selling in the banking sector increased in late afternoon ahead of Fed chairman Alan Greenspan's

testimony to Congress. The Hang Seng index fell 89.52 to 15,446.78 in turnover that eased to HK\$14.1bn.

Analysts said the banking sector was undergoing a consolidation, but the shares could stage another rally next week ahead of interim result announcements.

HSBC eased HK\$3 to HK\$259. Hang Seng Bank fell 50 cents to HK\$114.50 and Bank of East Asia lost 40 cents to HK\$32.50. Hongkong Electric surged 90 cents to HK\$31.60 on speculation that Chinese companies might be interested in buying a stake.



BANERJ

Banco Bozano, Simonsen was responsible for Banco Banerj's radical administrative and operational restructuring and co-ordinated the first public-sector bank privatization in Brazil.

Banco Banerj S.A.
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US\$ 289,000,000

Banco Bozano, Simonsen advised the Rio de Janeiro State government on the valuation, structuring and completion of the transaction.

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(June/97)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS US dollar prices and percentages show number of lines of stock	MONDAY JULY 21 1987						FRIDAY JULY 18 1987						DOLLAR INDEX					
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local Div. Yield %	Gross Div. Yield %	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High		52 week Low		Year ago % (approx)
														High	Low	High	Low	
Australia (79)	232.43	-1.0	205.38	170.19	217.07	208.48	-1.2	3.86	234.63	207.92	171.47	218.82	211.08	343.87	190.00	195.50		
Austria (25)	198.78	-2.2	176.84	145.55	185.84	185.83	-1.8	2.77	203.31	180.01	148.45	189.27	188.14	308.31	174.70	176.88		
Belgium (29)	221.38	-0.5	222.12	184.07	254.77	229.94	-0.0	2.97	232.21	184.18	234.80	220.01	230.49	358.46	220.00	221.18		
Brazil (20)	270.08	0.6	238.88	197.76	252.24	537.46	0.6	1.36	288.48	237.57	196.00	248.50	232.42	322.44	170.20	181.67		
Canada (127)	218.50	-1.4	191.30	158.55	202.19	215.49	-1.4	1.89	219.58	184.40	160.32	204.40	218.62	220.02	154.12	158.68		
Denmark (32)	203.87	-0.5	356.87	256.73	377.19	375.74	-0.2	1.36	414.05	358.59	302.85	358.46	354.04	427.25	303.46	303.94		
Finland (25)	200.60	-0.8	282.65	220.14	290.77	334.56	-1.1	1.54	335.14	272.72	225.73	287.80	272.72	427.25	303.46	303.94		
France (94)	225.12	-0.4	196.92	164.84	210.24	214.15	-0.2	2.48	228.05	200.15	185.06	210.45	214.55	321.57	195.94	190.90		
Germany (69)	226.55	-2.3	200.18	165.89	211.58	211.58	-2.0	1.34	221.96	205.37	188.27	218.84	219.44	339.81	188.70	173.10		
Hong Kong, China (85)	232.41	-0.1	476.45	388.95	487.23	529.51	-0.1	2.26	532.57	471.90	388.68	488.08	530.10	295.65	475.05	481.72		
Indonesia (27)	221.44	-5.9	185.67	162.15	208.81	337.85	-1.5	1.82	225.10	200.20	171.70	216.51	216.51	358.46	220.00	221.18		
Ireland (17)	385.82	-2.2	323.25	267.87	341.65	345.00	-1.9	2.79	374.08	311.18	273.11	348.20	351.84	374.84	270.00	274.58		
Italy (54)	102.82	-0.1	80.85	76.29	96.02	134.20	0.1	1.77	102.92	81.18	76.15	95.81	134.12	105.42	73.26	78.44		
Japan (488)	136.94	-0.5	121.00	100.27	127.88	100.27	0.0	0.79	137.32	121.58	100.27	127.84	100.27	150.57	107.57	130.84		
Malaysia (17)	471.88	2.5	418.95	345.33	440.70	477.15	2.2	1.44	480.21	407.47	325.04	428.44	428.44	529.51	358.46	363.94		
Malaysia (18)	1840.51	-2.2	1448.58	1201.24	1532.11	1414.71	-2.6	1.31	1677.78	1465.46	1225.07	1592.81	1739.93	1812.57	1158.00	1187.00		
Netherlands (19)	411.62	-1.4	363.72	301.41	384.42	370.91	-1.1	2.05	417.31	369.49	304.72	385.50	383.94	427.48	278.88	289.59		
New Zealand (14)	89.58	-0.5	78.14	65.58	83.84	72.84	-0.8	4.00	90.02	78.71	65.74	83.81	73.26	94.47	80.85	80.85		
Norway (41)	317.11	-1.5	283.20	222.20	285.16	318.47	-1.2	1.32	321.51	284.93	224.55	298.59	323.27	358.00	248.04	250.79		
Philippines (23)	424.30	-1.6	325.20	262.46	339.51	212.22	-0.8	0.86	424.30	325.20	262.46	339.51	212.22	358.46	220.00	221.18		
Singapore (42)	385.39	1.9	340.55	282.19	305.82	269.74	1.6	1.17	378.08	304.76	276.05	301.99	295.57	446.01	300.00	400.45		
South Africa (44)	352.02	-0.4	316.38	262.18	334.37	357.55	-0.2	2.41	359.81	318.40	282.59	334.78	358.99	370.12	301.49	351.27		
Spain (33)	292.01	-1.8	282.88	248.38	298.96	298.91	-1.3	2.28	295.18	268.81	240.07	298.48	298.81	376.65	261.71	278.04		
Sweden (48)	497.57	-0.7	447.57	365.85	477.57	477.57	-0.7	1.82	500.00	447.57	365.85	477.57	477.57	500.00	365.85	365.85		
Switzerland (25)	377.72	-2.0	271.81	225.32	297.38	321.64	-1.8	1.19	314.00	277.02	229.29	292.33	295.95	359.00	221.60	246.00		
Taiwan (42)	62.20	0.0	54.86	45.55	59.00	73.50	0.0	4.21	62.20	55.07	46.32	57.91	73.50	158.78	47.55	158.78		
United Kingdom (213)	317.30	-1.1	279.49	231.20	296.40	279.49	-1.3	3.61	319.88	263.28	233.61	297.84	285.38	325.26	231.01	232.71		
USA (643)	-37.37	-0.3	327.27	271.25	345.00	370.37	-0.3	1.95	371.41	326.25	271.20	345.77	371.41	370.37	254.78	298.89		
Amfarco (27)	333.51	-0.3	299.11	247.47	316.14	295.03	-0.3	1.65	336.67	290.74	245.02	316.22	298.32	347.34	238.03	270.81		
Europe (718)	276.52	-1.2	244.34	202.88	259.25	260.07	-1.2	2.47	280.43	240.13	204.83	260.07	266.35	294.44	204.71	239.19		
Norco (150)	454.52	-0.4	404.52	328.42	434.52	434.52	-0.4	1.91	454.52	404.52	328.42	434.52	434.52	454.52	328.42	328.42		
Europe (150)	154.49	-0.2	138.46	113.08	144.23	114.25	-0.2	1.25	154.78	137.03	113.01	144.08	114.42	158.83	127.19	188.39		
Amfarco (27)	205.40	-0.9	181.50	150.04	191.83	190.42	-0.7	1.93	207.15	183.41	151.25	192.84	170.46	228.12	173.55	162.36		
Northern America (718)	300.88	-0.3	218.88	204.25	237.40	290.05	-0.3	1.98	302.00	230.80	204.25	237.40	237.40	300.88	204.25	237.40		
Europe (150)	245.94	-1.1	218.88	185.22	232.04	238.08	-1.1	2.22	252.47	218.88	185.22	232.04	232.04	245.94	185.22	232.04		
Amfarco (27)	205.40	-0.9	181.50	150.04	191.83	190.42	-0.7	1.93	207.15	183.41	151.25	192.84	170.46	228.12	173.55	162.36		
Northern America (718)	300.88	-0.3	218.88	204.25	237.40	290.05	-0.3	1.98	302.00	230.80	204.25	237.40	237.40	300.88	204.25	237.40		
Europe (150)	245.94	-1.1	218.88	185.22	232.04	238.08	-1.1	2.22	252.47	218.88	185.22	232.04	232.04	245.94	185.22	232.04		
Pacific Ex. Japan (983)	200.02	-0.9	169.60	155.05	195.21	175.87	-0.7	1.92	210.82	166.86	153.84	196.27	177.17	212.80	176.84	184.84		
Europe (150)	245.94	-1.1	218.88	185.22	232.04	238.08	-1.1	2.22	252.47	218.88	185.22	232.04	232.04	245.94	185.22	232.04		
USA (643)	-37.37	-0.3	327.27	271.25	345.00	370.37	-0.3	1.95	371.41	326.25	271.20	345.77	371.41	370.37	254.78	298.89		
World Ex. Japan (1983)	200.02	-0.9	169.60	155.05	195.21	175.87	-0.7	1.92	210.82	166.86	153.84	196.27	177.17	212.80	176.84	184.84		
The World Index (2488)	260.35	-0.6	230.05	198.64	243.15	214.71	-0.6	1.80	261.20	238.81	197.29	243.81	233.03	265.77	202.32	202.32		

Almaty, June 1997

2 KAZAKHSTAN

THE ECONOMY • by Charles Clover

Payment problems still a burden

Fall-out from the country's arrears crisis remains a check on economic growth

The National Bank of Kazakhstan is full of keen academic minds – and that of Mr Urz Dzhandosov, the bank's chairman, is by all accounts the keenest.

Tall, lanky and bespectacled, he pauses to reflect on the country's six-year odyssey of macro-economic stabilisation. "We were mostly learning by doing," he says. "Theory? Theory helps to understand the connection between the aggregates. But so many things were disconnected after this high inflation. We are just coming into a period where sophisticated econometric models are useful."

This year, in spite of an unscheduled \$500m expenditure to clear pension fund arrears, the National Bank is so far sticking to the IMF decision not to lend the government more than a nominal amount of deficit finance.

Kazakh officials are expecting inflation to come in at under their target of 17 per cent and even show a percentage point or so of economic growth.

But reaching this stage has not been easy. The 36-year-old Mr Dzhandosov had just started working at the National Bank in January 1994 as deputy governor when the government began to put pressure on the bank to solve a crisis of inter-industry payment arrears which had reached dangerous levels. The National Bank was forced to issue a massive credit from February to April, which had the effect of doubling the money supply within a few months. Inflation soared to 1,258 per cent and the value of the tenge fell by 80 per cent.

"The practical lesson was very strong," says Mr Dzhandosov. "No one here ever wants to see that happen again... When [Mr Ake-zhan] Kashegeldin became prime minister, we never

experienced such pressure from the government again."

The next three years were "the easy part", according to a western economist in Almaty. As the National Bank gradually phased out credit to the government, the money supply stabilised, as did inflation and the exchange rate.

But the psychological scars of hyper-inflation have been the hardest to heal. Kazakhstan emerged from its hyper-inflation with one of the lowest savings rates in the world, and coaxing people to save and invest again, to build a credible banking and payments system, is the toughest part of being an effective central banker.

"You cannot use central bank instruments to change people's psychology," Mr Dzhandosov says.

While Mr Dzhandosov spent the past three years watching the inflation rate fall, he is now starting to turn his attention to a new rate: bank loans as a percentage of gross domestic product. "We have one of the

lowest rates in the world – 5 per cent," he says. "In eastern Europe the average is about 25 per cent, while in Japan it's more than 100 per cent."

The reason for this lack of borrowing is that the Kazakh banking sector has been hit especially hard by a new crisis of insolvency, one aspect of a broader problem of payment arrears that has been building up in the Kazakh economy ever since the last arrears problem was cleared by the National Bank in 1994 with such disastrous effects.

Mr Umirzak Shukeev, the economy minister and the youngest of Kazakhstan's wunderkind economists, was unlucky enough to have to deal with this problem earlier this year, when the arrears hit \$7bn or just under half of Kazakhstan's GDP.

"This is typical for the former Soviet Union," says one economist. "But Kazakhstan has it pretty bad."

Since February, however, the arrears have stabilised, and Mr Shukeev and his col-

leagues are working to sort out the problem.

The Kazakh government has acted quickly and decisively to bring the arrears under control. In July, it began paying back the politically sensitive arrears to pensioners of \$500m – which

'If we solve the problem with a credit emission, debts will be liquidated, but this will create inflation'

it funded by privatising two oil companies, netting the budget two signing bonuses of more than \$300m each.

Mr Shukeev and his ministry are also working on ways to cancel out cross-indebtedness, and on securitisation of overdue receivables, a method which has been used with some success in Russia. But Kazakh policy makers

such as Mr Shukeev remember too well the fall-out from monetising the arrears in 1994.

"If we solve the problem with a credit emission, debts will be liquidated, but this will create inflation, as in the past. It will not give any results."

Officials believed privatisation would solve the problem of inter-enterprise debts. However, those who implemented Kazakhstan's privatisation programme simply ignored the problem of payment arrears and when many of the largest enterprises were privatised, their new owners did not have to take on their debts. These debts have not disappeared, but multiplied through the economy as creditors of these enterprises are unable to pay their own debts.

"In Kazakhstan, more than 1,000 enterprises are in extremely serious condition because their assets have been frozen in a completely illegal manner," says Mr Pyotr Svoik, former chairman of Kazakhstan's Anti-Monopoly Committee.

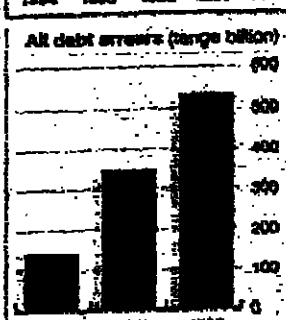
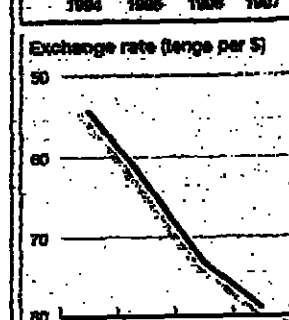
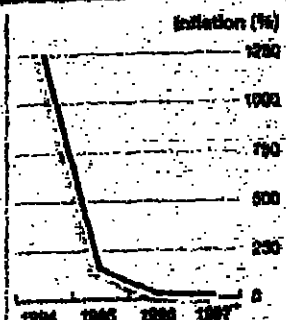
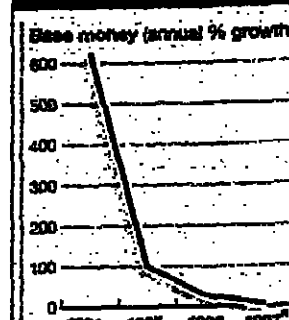
For example, two banks which were merged earlier this year, Turan Bank and Alem Bank, had made loans to several metals plants which were then frozen, with the result that 54 per cent of Turan Bank's portfolio and nearly 80 per cent of Alem Bank's portfolio was classified as "non-standard", which means repayment is uncertain.

The merged Turan-Alem Bank is awaiting a \$100m recapitalisation package from the government.

As part of the effort to deal with the debt problem, two metals plants privatised separately from their liabilities have been asked to begin paying back pre-privatisation debts. Ispat-Karmet, Kazakhstan's steel mill, and Dzhezkazgan copper smelter bought by Samsung had \$200m and \$180m respectively in debts which were frozen at the time of their privatisation.

Aside from banking, pensions and energy deliveries, the arrears crisis has also affected Kazakhstan's tax collection. Tax revenues

Kazakhstan's stabilization



Source: The National Bank of Kazakhstan

were 20 per cent below plan in the first quarter of 1997 as the result of cancelling out of arrears, according to Mr Mazhit Esenbaev, former head of Kazakhstan's tax committee. And in early July, another \$400m in tax arrears were forgiven, according to one news report, although no officials could confirm this. "OK, you

know the rule," says Steve Lewarne, a US aid economist. "Tax collection as a percentage of GDP should be at least equivalent to a country's value-added tax."

In Kazakhstan, the VAT is 20 per cent, while tax revenues account for 10 per cent of GDP. "The economy is growing here, but the tax revenues are not," says another western economist in Almaty.

Mr Dzhandosov and his colleagues in the National Bank do not seem worried by the pressure this could place on their commitment to monetary stability. "Next year, we will not have any credits to the finance ministry," he says. "I do not see any possibility of another clearance operation."

In the long run, Kazakh officials are counting on increased oil exports to fund the country's recovery.

When asked about the country's oil potential, Mr Shukeev takes a deep breath and clasps his hands. "I am almost afraid to mention figures, because they will undoubtedly change. Now we extract 28m tonnes of oil a year, of which 13m tonnes are exported. By 2005, assuming we develop the offshore Caspian shelf we can expect this to increase by four times."

"The key," says one western economist in Almaty, "is making it to the oil."

PROFILE Galymzhan Zhakiyanov, the young reformer

New brand of administrators rewrite policy

A technocrat with the desire to create the first Central Asian 'tiger' economy

Mr Galymzhan Zhakiyanov, one of the new breed of young, ethnic Kazakh technocrats who in recent months have appeared at the top of recently-created economic agencies or commissions which report directly to President Nazarbayev, appears to be a cross between a criminal prosecutor and a corporate planner.

When asked about one dubious episode in Kazakhstan's sometimes controversial privatisation

programme, the chairman of the Agency for Strategic Resources Control responds by earnestly asking his visitors if they have any additional details he should know about. But he can quickly slip into the strategic planner mode and the conversation slides easily into a lengthy discourse on the pros and cons for Kazakhstan of building an oil pipeline to China.

The roles and responsibilities of the agency have yet to be fully defined, as does its eventual relationship with various ministries and Kazakh Oil, the new and potentially powerful state petroleum company. But Kazakhstan's biggest foreign exchange

earners – the oil and metals sectors – fall within his strategic purview, as do key pieces of the national infrastructure, such as the electricity industry, petroleum pipelines and other natural monopolies. He is also charged with righting the wrongs of Kazakhstan's rapid drive to privatise large segments of the economy.

Few privatisation programmes in the former Soviet Union have been free from scandal or questionable behaviour on the part of some successful buyers. Kazakhstan's has been no exception.

"Naturally many questions and problems arise as a result of privatisation," he says. But Mr Zhakiyanov is

quick to stress that investigations will not be triggered just because individual companies were sold off too cheaply. "Even if we think the interests of the state were not handled very well in some privatisations or that some were sold too cheaply, if they were done according to the law then they will be respected," he says.

Some foreign investors in Kazakhstan, especially those in the all important energy sector, say they are confused as to what role Mr Zhakiyanov will play in specific projects. At present he can offer little insight into the issue, apart from noting that the roles of many ministries will be re-examined. "It's not very

clear which functions will be done by the ministry (of energy) and which by the agency," he concedes. "This system of state power is not stabilised... we may have a more direct role in future."

He stresses, however, that the agency's overriding goal is to "control" the way Kazakhstan's strategic resources are developed.

That emphasis on control worries some diplomats, who see it as a possible fudge on previous free market commitments. Although Mr Zhakiyanov talks about introducing greater "transparency" in the economic and commercial roles of various state bodies, some suspect that powerful agencies such as his could become the

basis for a discreet but interventionist industrial policy, a common thread that runs through the Asian "tiger" economies that so impress Mr Nazarbayev.

Others take a more benign view. They see the rise of Mr Zhakiyanov and his colleagues as part of an attempt by the president to cut through "the invisible opposition" posed by an unwieldy Soviet-era bureaucracy. A priority, they say, is the creation of an elite corps of modern-minded administrators to help realise the president's dream of creating the first Central Asian "tiger" economy.

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POLITICS • by Charles Clover

A worrying emphasis on re-centralisation

Changes made to attract investors are seen to be rolling back market reform

The biggest political event so far this year in Kazakhstan happened in early March, when a set of sweeping decrees introduced by president Mr Nursultan Nazarbaev promised to slash the government by 50 per cent, dissolve seven ministries, set up four new presidential commissions, and create a national oil company.

The move looked like the political death knell for Kazakhstan's prime minister, Mr Akezhan Kashegeldin, whose government was gutted by the move while he was out of the country.

But several months after the March decrees, a senior western diplomat sums up the situation: "nothing has changed." While ministries were indeed dissolved, the former ministers are now heads of departments which occupy the same buildings, enjoying every bit of the power they used to wield. No bureaucrats are out looking for new jobs to occupy them, and the presidential commissions have kept out of decision making, at least thus far.

Prime minister Kashegeldin, meanwhile, whose political demise seemed assured in March, looks as secure as

ever in the driver's seat of his cabinet.

But observers still point to the March decrees as a subtle turning point in Kazakhstan's economic philosophy. Until then, Mr Nazarbaev had seemed content to let management of the economy devolve to Mr Kashegeldin's government, along with the newly created private sector.

Since March, there has been a new emphasis placed on re-centralisation of long-term economic decision making, symbolised by the creation of the Strategic Planning Committee and Committee for Strategic Resources, alongside legislation providing for the empowerment of the State Investment Committee to be a "one stop shop" for foreign investors.

The reason for the subtle shift in philosophy, according to his advisers, is that Mr Nazarbaev has become increasingly focused on Asia, not only as a foreign policy priority, but as a model of development as well. "The paternalistic capitalism model appeals to him," says a senior western diplomat.

"It's true that the idea is to move in the direction of the of these South East Asian countries," said National bank chairman Mr Uraz Jandosov, "the high rate of economic growth is the best incentive. However, this 'model' differs substantially from country to country."

In the end, Mr Nazarbaev

may have to choose between his fondness for paternalistic capitalism and its more liberal western counterpart.

Western economists point to post-March policies which they argue are rolling back market reform, such as centrally directing credit, characteristic of many Asian "tigers". Recently, the government provided a no-interest loan to a coal mine, and last month, issued a decree requiring all domestic banks to hold 10 per cent of their loan portfolios in small and medium-size enterprises.

Such policy questions are likely to raise eyebrows during Kazakhstan's next IMF review in November. "I thought they got rid of this stuff when they left the Soviet Union," says one western economist in Almaty.

And over the past few months, arguments have broken out over the one of the prerogatives of the State Investment Committee, which was to grant tax incentives to foreign investors in certain hard-to-privatise sectors.

"Depending on the amount of investment in a project, we give from 1 to 100 per cent tax holiday," says Mr Akhmetzhan Yesimov, chairman of the State Committee on Investment.

In April, the IMF came out against the policy of granting tax incentives, claiming it would eat into the government's finances, which were

already troubled by tax arrears. In June, the IMF threatened to suspend the country's 3-year Extended Fund Facility granted last year unless the Kazakhs ditched the incentives.

"The IMF was worried that our tax holidays will lower our budget revenues," says Mr Yesimov. "We explained that tax holidays are only given to new production. We will create a new tax base with this law."

The IMF settled for a full accounting by the Kazakh government of all tax incentives given. According to Mr Yesimov, his committee is now considering over 200 applications by investors.

But both Kazakh and foreign experts are not just worried about tax revenues, but the lack of transparency that accompanies direct state involvement in individual deals.

"The state should not be involved in individual transactions. It should not be creating multiple tax regimes," says USAID economist Mr Steve Lewarne.

"Political favouritism, if it happens, is a major obstacle and threat," says Mr Jandosov. "But the IMF was objecting based on negative experiences in other countries. The idea of tax concessions was only part of this 'one stop shop' concept, and if the outcome will be negative it must be reconsidered."

Mr Nazarbaev's firm grasp on Kazakhstan has always



President Nazarbaev has become increasingly focused on Asia as a model of development

drawn criticism from western politicians and diplomats, but rave reviews from some businessmen, who up until now have felt more confident knowing that Nazarbaev wields the ultimate power over the reform process. "He's somewhere in between Franco and Chile," enthuses one western businessman and ardent admirer of Mr Nazarbaev.

Investors point to stability in Kazakhstan and at the more than 100 laws, many designed to attract foreign investment, that Nazarbaev pushed through without parliament's input. Mr Nazarbaev has twice dissolved parliament, re-creating it each time with fewer powers. In April, he began to reform

and centralise local administration by abolishing whole administrative districts and appointing new regional governors from among his coterie of insiders.

But amidst Mr Nazarbaev's impulse towards centralisation, there is growing sense that Kazakhstan cannot depend on one man to guarantee the continuity of reforms. Many foreign lawyers point out Mr Nazarbaev's fondness for issuing secret decrees. In the long term, experts argue, a system will guarantee stability, rather than a man.

"Transition economies should concentrate upon market fundamentals including a legal and regulatory environment that is trans-

parent and predictable," says Thomas Dimitroff, a legal consultant with USAID.

Other policy decisions which worry western economists include a July decision to abolish excise taxes on wine, and a decree granting local akims the rights to grant tax incentives to foreign investors.

"Why whine?" says a western economist in Almaty. "This raises the question about whether they are starting to seriously manipulate the tax regime."

Lawyers point to many instances where, in their eagerness to woo foreign capital, Kazakh officials have even completely disregarded their own laws. For

example, Kazakhstan's bankruptcy code was completely ignored in the privatisation of several major enterprises, where enterprise liabilities were simply split off from the assets and placed in a separate company, while the assets were privatised.

"In Kazakhstan, over 1000 enterprises are in extremely serious condition because their assets have been frozen in a completely illegal manner," says Pyotr Svoik, former chairman of Kazakhstan's Anti-Monopoly Committee.

"What they really need here, rather than a strong personality, is a legal system that is more than a wall decoration," says one western lawyer.



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KARACHAGANAK • by Robert Corzine

Kickstart for troubled field

Gazprom's demands are hindering deals at huge gas and condensate site

Karachaganak, a giant natural gas and condensate field in northern Kazakhstan, has become a byword for the complex political and commercial manoeuvring that has delayed virtually every attempt to put together big energy deals in the Caspian Sea region and central Asia.

In recent weeks, attempts have been made to breathe life into the project, on which BG of Britain and its partner Agip of Italy have lost more than \$70m over the past few years. In early July the two companies and their new US partner Texaco agreed on a revised strategy which could see production of condensate – a naturally occurring gasoline – begin to reach world markets early next decade.

The main problem with developing Karachaganak lies in its position in the old Soviet energy infrastructure. Although the field is within Kazakhstan, its location close to the Russian border meant that it was always intended to be integrated with existing gas processing and pipeline facilities oper-

ated at nearby Orenburg by Gazprom, Russia's powerful gas monopoly.

Progress on Karachaganak has also been the focus of an dispute within the Kazakh government over who will be responsible for the negotiations with the international consortium on a final production sharing agreement to replace the production-sharing principles agreement signed in 1995.

But the attitude of Gazprom has been the main stumbling block, say officials and executives. It has at best been lukewarm about the western-inspired plan to develop the field, which with reserves of about 1.33 trillion cubic metres of gas, 4.7bn barrels of condensate and 1.4bn barrels of oil, is one of the jewels of Kazakhstan's energy sector.

At one stage Gazprom agreed to take a 15 per cent stake in the consortium in a move which the western partners thought might pave the way for them to use the Russian pipeline grid to export gas. They were also heartened by the fact that Orenburg's own gas reserves were dwindling, and that it would soon need a new source of supply to keep the processing plant working at capacity. The fact that Russian prime minister Mr Viktor Chernomyrdin came as

another positive factor.

But none of these elements seemed to sway Gazprom, and "to all practical purposes it has now left the project", said one of the consortium members.

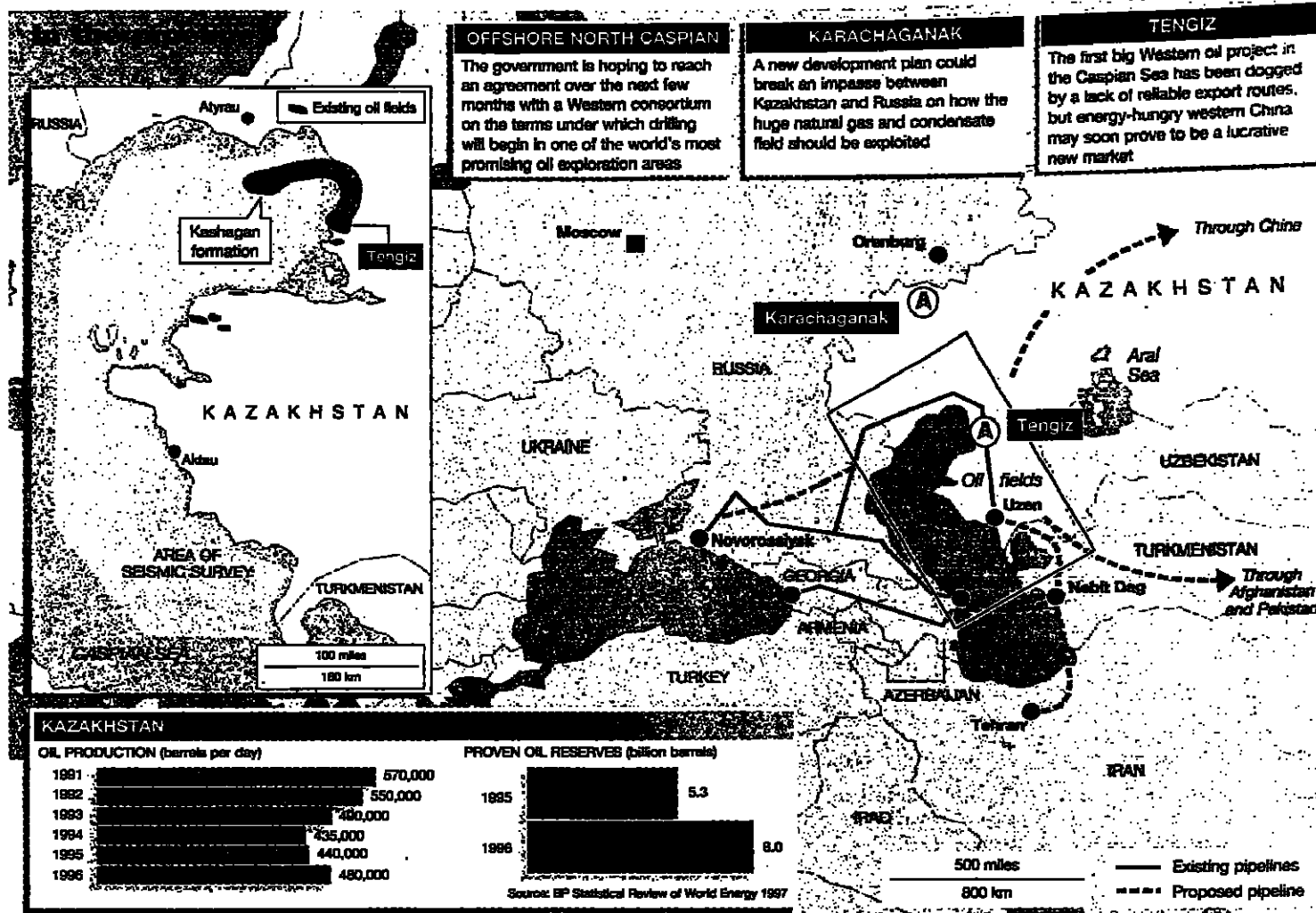
The western companies say that although Gazprom agreed to process some of the gas as an interim measure, it made too many demands for the full project to be economically viable. "If Gazprom had come along and said to BG and Agip, 'you carry our capital costs, and in return we'll make the project work', that would probably have been alright," said an Almaty oilman familiar with the negotiations. "But instead they wanted BG and Agip to carry them, and charge 30 per cent for processing."

The struggle with Gazprom has caused even the current, modest output targets for the field to be missed. In 1996 Karachaganak produced only 1.9bn cubic metres of natural gas and 1.8m tonnes of condensate – half of the planned output – and only a fraction of the 15-16m tpy of condensate and 30bn-32bn cubic metres of gas that it could eventually produce.

In addition revenues from the amounts that are now processed at Orenburg and sent into the Russian oil and gas system have proved far below expectations. Under the current formula Kazakhstan was due to receive 20-30 cents on every revenue dollar, but officials say that "at best" it has been receiving half of that. "The Russians are barely letting us breathe," said one official.

A workable deal with Gazprom remains the best option for Karachaganak's long-term future, say those involved in the project. But Kazakh President Nursultan Nazarbayev has put pressure on the companies to come up with an interim solution that would at least allow the first phases of a full development plan to proceed.

It will require the construction of limited processing facilities at Karachaganak to lessen the stranglehold of Gazprom.



The gas fields are close to the Russian border

Norwell, London

THE NORTH CASPIAN SHELF • by Robert Corzine

Pressure for agreement mounts

Failure to reach a deal could set the project back by a year, say industry executives

Pressure is building for the early conclusion of a production-sharing agreement between the Kazakhstan government and seven foreign oil companies on the terms under which one of the world's most promising – but still unproven – offshore oil provinces will be explored and developed.

Failure to reach an agreement on how to proceed with the initial drilling in the offshore areas of the North Caspian could set the project back by a full year, say oil company executives. They need to begin technical preparations in the next few months to meet a limited "weather window" next year to begin drilling in the shallow waters of the environmentally sensitive area.

Talks aimed at breaking the deadlock in the negotiations recently resumed in New York. Both sides say they are keen to secure an

early agreement. But those familiar with the negotiations say the bargaining positions also appear to have hardened. And there has been increased sniping between the two sides over the way the negotiations have been organised.

At stake are the first 12 exploration blocks to be awarded in a 100,000 square kilometre offshore area over which the seven companies, now known as the North Caspian project, recently concluded a \$350m seismic survey. It revealed between 50 and 100 possible oil-bearing prospects, just one of which could hold two to 12 times as much oil as Tengiz, Kazakhstan's largest existing oil field, say officials.

"It's really big," said a government adviser in describing the potential of the area some experts claim could rival the reserves of Kuwait. But the members of the North Caspian project, while admitting the geology is almost perfect for the discovery of big reservoirs, say such claims are unwarranted given that the first well has yet to be drilled.

The mismatch of percep-

tions explains in part why an agreement has proved so elusive. The companies say the Kazakhs have failed to understand the exploration risk associated with the project. They also say that the economics of developing fields in the area may not be as attractive as the Kazakhs claim. Both sides have put forward differing estimates of the reserve base, recoverable reserves, recovery rates per well and other fundamental information that will affect the overall financial formula governing the returns to the companies.

More than half a dozen factors will affect the formula, including the volume of oil produced and its quality and costs. "The government wants 80 per cent of the 'divisible income' from the project, with a 20 per cent 'return target' for the companies. There are also differences over the pace at which the exploration programme and any resulting development will be carried out. 'They [the companies] want loose controls,' says one official, while the government is demanding a strict timetable.

The economic importance of the project is such that seemingly minor slippages in the early stages could result in big delays in later phases, pushing back even further the date at which the government would begin to see significant revenues from the project.

The government is also concerned over what the companies might do if exploration successes coincide with a dip in world oil prices. Officials fear that under such circumstances the companies might let development plans slip in order to avoid the prospect of sending yet more oil to a weak market.

The government's target date for first production is 2004. "We don't want to hear 2010," says one official. It also wants to reach plateau production within 10 years, rather than the 12-14 proposed by the companies. But to meet that target there must be significant progress on a number of fronts, including proving a big enough reserve base to justify a new export pipeline. In order to meet the government's timetable exploration

mined coal. The role of Lukoil, which has assumed Gazprom's place as the Russian member of the Karachaganak consortium, could also prove decisive in making the project work. Western executives say Lukoil, Russia's biggest oil company, may be able to help move "liquids over and above" those that can be accommodated in the CPC system. Various swap arrangements within Russia may also be possible that could boost export volumes.

The western partners also hope Lukoil will prove more adept at influencing Gazprom to reach a long-term accommodation. But how that might be achieved remains unclear, even to those who might normally be expected to know the details of such dealings.

"When the Russian ambassador came up to me at a party and asked me what was going on between Lukoil and Gazprom at Karachaganak, it made me feel better for not knowing myself," said Mr David Skeels, the BG representative in Almaty.

THE LURE OF THE EAST • by Robert Corzine

China, a vast potential market for Kazakh oil

Debate under way on the economic viability of an oil export line to the Asia-Pacific region

The lure of the east is growing stronger for Kazakhstan's oil industry, even though China's energy-hungry main industrial centres lie many thousands of kilometres away from the big oil fields around the Caspian Sea.

Over the past few months a series of events have brought closer the prospect that Kazakhstan could carve out a potentially lucrative role as an oil supplier to its giant eastern neighbour. But serious economic, political and commercial questions remain as to how quickly and to what extent Kazakhstan can, or should, tilt its oil industry to the east.

It was the decision in June by the Kazakh government to award the China National Petroleum Company a 60 per cent stake in the Aktyubinsk oil field for \$35m in cash and a promise to invest a further \$40m over 20 years that triggered the current wave of interest in China as a potential market for Kazakh oil.

Much of the planned investment is to be spent on a proposed pipeline linking the Aktyubinsk field in western Kazakhstan to China. Many western oil men in Almaty are deeply dubious about the economic viability of a full-scale export line to China's Pacific coast.

"I'm personally sceptical about the eastern route," says one executive involved in the seven company consortium to explore offshore in the Caspian Sea. "If the Chinese found lots of oil in the Tarim Basin (which borders eastern Kazakhstan), then it's just about feasible. Otherwise it's stretching economic reality."

Not all western oilmen share that view, however. The chief executive of one of the consortium's members thinks it is inevitable that China will eventually turn out to be one of the main markets for Kazakh oil. Not surprisingly, that is

also the opinion of many Kazakh officials, although they too have doubts about the economic viability of a full-scale export line to the Asia-Pacific region.

"A pipeline all the way to the Yellow Sea may not be economically very successful," says Mr Galymzhan Zhakiyanov, chairman of the government's Agency for Strategic Resources Control. A senior government adviser agrees: "It will only work if the Chinese government subsidises their part of it."

But as Mr Zhakiyanov points out, "China itself is a market." The question is whether Chinese demand is strong enough to attract significant volumes of Kazakh crude across the vast distances of central Asia. Chevron, the operator of Kazakhstan's giant Tengiz field,

fund it ourselves." Export pipelines from Central Asia are not just commercial projects, however. Politics may prove to be the decisive factor.

"Nazarbayev is trying like mad to break the levers of power that Russia has over Kazakhstan," says a western diplomat in Almaty. But the award of the Aktyubinsk field to CNPC and talk that a tender for a second field, Uzen, may also be awarded to China, has already aroused strong feelings among some of Kazakhstan's western supporters.

"This leadership is mindful of its place geographically and geographically," says another western diplomat. "President Nazarbayev has a valid security concern. But 'feeding the tiger' may not be the right way to go. Appeasement is not a way to solve problems."

But Kazakh officials are adamant that a pipeline to China is a higher political priority than a link that would go to Azerbaijan on the western Caspian before proceeding on to Turkey, a route that the US and other western governments with interests in the area seem to prefer.

The Kazakhs also believe that an eastern route opens a new commercial dimension to their oil trade.

"Pipelines through Russia or Azerbaijan are just different ways to go to the same market," says Mr Zhakiyanov. "A line to China would go to a completely new market."

They also see an eastern pipeline route producing additional benefits to the domestic economy. The Caspian Pipeline Consortium, which will carry Kazakh crude from Tengiz and other fields to Novorossiysk on Russia's Black Sea coast, will run only a short distance through Kazakhstan. Most of the tariffs will go to Russia.

An eastern route from the Caspian oil fields would pass through the breadth of Kazakhstan. Not only would the country earn more tariffs, say officials, but more jobs would be created and there would be the possibility of building a new refinery, fed by the line.

Many western oil men are deeply dubious about an eastern oil route

plans to test demand this summer by sending its first cargo of crude to China via rail.

Mr Phil Meek, the company's senior representative in Kazakhstan, says there were signs that western China, and in particular the refinery at Urumchi, could absorb "substantial volumes" of Tengiz crude. The company is studying a plan to build a storage terminal on the Kazakh border, which could be supplied by shuttle trains from Tengiz. Chinese trains, which operate on a different gauge, could then pick up the crude on the other side.

Kazakh officials are also studying more modest pipeline proposals than a full export line to the Pacific region. But as Mr Kasenova, president of Kazakhstan's national oil pipeline company points out, even the more modest proposals will depend on the ability of China to find the funding. "If we had just got Hong Kong, then we would

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GOLD MINING • by Sander Thoenes

Confidence has been damaged

Scandals cause companies to become more cautious over investment

Gold mining has never been a neat and tidy business, but the lurid scandals that have hit the industry of late have made even Kazakhstan's tremendous gold resources lose their lustre. An exploration host, a hijacked tender and a shareholder fight have given investors cold feet.

Kazakh officials and gold miners were innocent in the largest scandal to rock the gold industry - the Bre-X hoax in Indonesia. Along with poor gold prices, the revelation that the Bre-X exploration data had been faked has been a key factor in driving down share prices for gold mining companies.

Smaller mining companies, who run most of the exploration and production projects in Kazakhstan, have been worst hit.

"Bre-X has made it much more difficult for junior companies to pick up exploration cash in lesser known parts of the world," says Mr Richard Wilkins, commercial director of Oxus Resources, an exploration company with several sites in Kazakhstan, Uzbekistan and Tajikistan.

A quarter of the \$1bn invested in central Asian gold projects since the break-up of the Soviet Union has been generated directly from the Vancouver and Toronto stock exchanges, where Bre-X shares were listed.

But Kazakh officials and Placer Dome, Canada's second largest gold group, are very much to blame for the Vasilkovskoye saga, arguably the largest mining scandal to hit the former Soviet Union.

Placer elbowed out competitors, including Dominion Mining, to take a stake in the giant Vasilkovskoye deposit in 1995. Dominion

had spent several million dollars exploring and proving reserves at Vasilkovskoye, and thought it had exclusive rights for exploitation. Not only was the project snatched away from Dominion, but the government used its data when the project was put out to tender. Placer then deserted the project on finding that the deposit would be expensive to develop.

Placer is keeping the sore open by suing to retrieve a \$55m refundable deposit that was due for repayment by July 4 last year.

Kazakhstan had planned to have a new investor by then to replace and repay Placer, but a highly publicised tender, designed to restore trust in Kazakhstan's government, failed to attract substantial bids. In January the government turned down the winning bid from a consortium of Teck Corporation of Canada and First Dynasty, a venture of Canadian mining entrepreneur Mr Robert Friedland.

Mr Norman Kevill, Teck president, says the fall in the gold price caused the government to pull back in the hope of getting better offers when the price improved. None have come in as yet but a leading gold company is said to be interested in the project.

Playing for time, the government has started separate arbitration proceedings against Placer, claiming damages arising from alleged 'breaches of agreement'. It claims Placer Dome and its local partner said they would spend \$270m to develop a mine at Vasilkovskoye.

Placer says it was made clear in the original agreement that development of a mine would take place only after due diligence established the project would be economically viable.

Bakyrchik, the largest existing gold mine in Kazakhstan, is in the midst of a shareholder brawl. Bakyrchik, which is esti-

mated to hold 10.5m troy ounces of gold at an average grade of 6.94 grammes per tonne, has been run by a joint venture since 1992.

Innovative gold processing technology failed to deliver, forcing investors to shut down and build a more traditional plant.

Shares in Bakyrchik Gold, the mine's original investor, crashed to 5 per cent of their highest value, making potential investors think twice before putting cash into another gold venture in Kazakhstan. Shares lost almost half their value in one day earlier this month when Bakyrchik announced a refinancing package under which Bakyrchik Gold would lose control of the gold mine to Indochina Goldfield, another venture of Mr Friedland.

The refinancing deal may yet be torpedoed later this year by Bakyrchik shareholders, who feel Indochina has pushed down the share price to take over the mine cheaply. They are looking



Undeterred by recent problems, leading gold mining companies are hoping to explore more of Kazakhstan's deserts

for another financier but nobody has publicly expressed interest.

Indochina Goldfields offered to pay \$55m to cancel Bakyrchik's debt, pay the next tranche of its fee to the government and provide immediate working capital requirements.

Indochina also guaranteed a further \$45m loan to help finance future working capital. In return, Indochina would increase its stake in the Bakyrchik mine from 15 to 80 per cent. Bakyrchik Gold's holding would be cut from 85 to 20 per cent. Indochina also holds 29.9 per cent of Bakyrchik Gold and has provided its key executives. Bakyrchik would be the

first large gold mine in the former Soviet Union to come under full control of foreign investors.

"This deal has completely devalued the company," one shareholder complained. "The Bakyrchik board has put up no credible fight. Minority shareholders are being totally screwed."

But the news is not all bad. Undeterred by scandals and low gold prices, some big mining companies are looking to Kazakhstan's deserts.

Santa Fe Pacific Gold, now part of Newmont Mining of the US, recently lifted its stake in Kazakhstan's Shalartyn exploration project to 100 per cent from 50 per cent

at a price of \$3.05m. The project covers a 7.5m acre licence area in north eastern Kazakhstan. Newmont would not say which other projects it is looking at in Kazakhstan. LaSource SAS of France, 60 per cent owned by Normandy Mining Group of Australia, last month bought 21 per cent of Oxus Resources, a small production and exploration company with several territories in Kazakhstan. It also started exploring on its own.

Mr Mike Nossel, new business manager for LaSource, credits Kazakhstan's far reaching privatization of state gold mining and exploration companies, as well as a wholesale of state-held

stakes in numerous sites, for drawing in the bigger companies. "That's something the other countries of Central Asia have not yet broached," says Mr Nossel. Kyrgyzstan or Uzbekistan still demand 50 per cent or more of any gold venture.

An added boon to smaller gold mining companies is that government officials have been rescinding numerous defunct exploration licenses, handed out to well connected but poor local officials in the early days of Kazakhstan's independence.

This has made many of the more promising sites available. Kazakhstan has tried to compensate for the loss of direct revenue with taxes, to

the annoyance of some ventures. The government has also recently separated exploration licenses from production, forcing investors to take risks on exploration before they know the tax pressure on the field's development. A new natural resources tax law, which would provide some security, has been long in the making.

"It's nice to know in advance what the royalties will be," Mr Wilkins says. "Then we can plan ahead."

It will take years for the Bre-X and Vasilkovskoye scandals to fade from memory, however, and until then, few gold miners will be planning projects in Kazakhstan.

FISCAL TRANSPARENCY • by Charles Clover and Robert Corzine

Problems on disclosure

Prospects of more signature bonuses for oil projects mean the issue is unlikely to fade

Transparency has become one of the most important issues Kazakhstan faces as it attempts to cope with the pressures of transition to a capitalist economy and a more open, democratic society.

While considerably more open and transparent than most of its counterparts in central Asia, many processes remain virtually blocked from view in Kazakhstan, such as government finance.

Last year, Mobil oil corpo-

ration concluded a deal with Kazakhstan for 25 per cent of the Tengiz oil field for which it agreed to pay \$1.1bn over a period of several years. The precise amount that Mobil paid last year was \$500m, according to observers. Keeping track of such an amount of money, equivalent to 3 per cent of Kazakhstan's gross domestic product, should be easy, but in practice it has proved impossible to pinpoint where it has gone.

The money, according to some officials, did not make it into the Kazakh budget. Last year, the capital revenues item in the government budget, which is where privatisation revenues are recorded, totalled \$460m from the sale of 4,000

enterprises. These included a 40 per cent stake in Zhezkazganskvetmet copper plant, the Vasilkovskoye gold mine, 15 coal mines, Yuzhneftegas oil company and the Chimkent refinery. These transactions alone should have totalled more than \$350m in up-front signing bonuses, not leaving much room for a spare \$500m.

When asked where the money might have gone, a Mobil representative said: "Any questions having to do with the Kazakh budget, we just can't comment." Mobil also would not comment on how much of the sum was in fact paid in 1996, nor to whom it was paid.

Sources close to the government say the Mobil

money "has been accounted for", though they could not explain precisely how.

"That money went to the oil ministry," said a senior western diplomat.

Repeated requests for clarification from officials at the former oil ministry, now state oil company Kazakol, or from prime minister's office, or from the Kazakh finance ministry, were rebuffed.

Mr Galymzhan Jakimov, head of the watchdog Committee for Strategic Resources, described the situation as "a problem", but would not comment further.

This is not the first time that a large chunk of government revenues has gone missing in Kazakhstan. Last November, a scandal hit the

newspapers when Mr Sarybai Kalmurzaev, chairman of the State Property Committee, accused the oil ministry of stealing \$500m in oil revenues.

"That's a different \$500m," said Mr Jakimov, when asked whether this was the same as the Mobil money. The scandal died down after two weeks, when Mr Kalmurzaev did not produce documentation of his accusation. When asked whether the scandal was ever resolved, however, Mr Jakimov said: "No, it wasn't. It's no secret that oil revenues are stolen here."

For the Kazakh government, deflecting criticisms such as the charge by one western lawyer in Almaty that it is "the biggest kleptocracy since the Caesars", would be easier if the process of making decisions were more open and trans-

parent and officials more accountable.

Some western officials see the issue of the Mobil money as a bellwether for a more general attitude towards financial transparency.

They point to the fact that a break with IMF was only narrowly averted in June when the government finally agreed at the last minute to disclose the size of tax breaks being offered to some foreign investors.

Government advisers say such concerns are overblown. They claim the government needs flexibility on issues such as taxation in order to secure the inward investment needed to build central Asia's first tiger economy. But with the prospect of more large signature bonuses for oil projects in the offing, the transparency issue is unlikely to fade from view.

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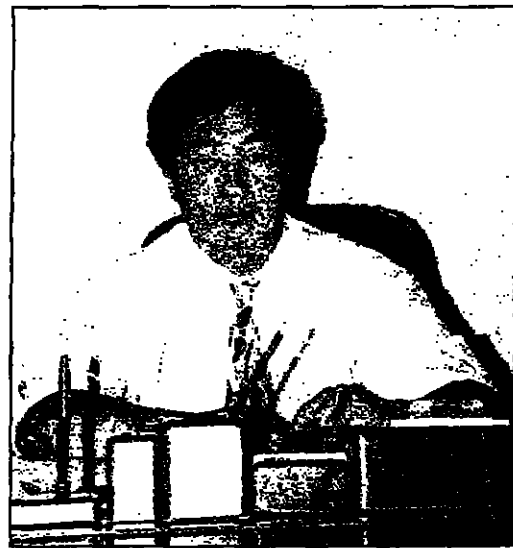
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By recommendation of the President Nursultan Nazarbaev he became a co - chairman of US-Kazakhstan Business Council. In the Government of Kazakhstan he conducted and worked actively as a Deputy Chairman of State enterprise commission.

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6 KAZAKHSTAN

CAPITAL MARKETS • by Charles Clover

Hedging bets on new exchange

Some speculators have injected much needed cash but left local officials wary

Hedge fund managers, the shock troops of global capitalism, have begun descending into the streets of Almaty, Kazakhstan, in anticipation of opening day on the country's new stock exchange in September.

In between power lunches at the Hyatt and the distractions of the Petroleum discotheque, the fund managers meet with patient Kazakh officials who instruct them in boring detail about things like listing requirements and regulation. Then it's back on the aircraft to other capitalist hotspots like Romania or Thailand.

"They know that Kazakhstan starts with a 'K'," says a western economist wryly.

"In general, though, they like to speak Spanish and go to the beach."

A United States hedge funder in his twenties, who conducts himself with the subtlety of a jet bomber taking off, was undeterred by Almaty's lack of a beach and salsa music. "This place has home-run potential," he enthuses.

Tomorrow, the young hedge funder will be on the aircraft to Bucharest, and then its back to New York. "The best gains in emerging markets are at the beginning. Just look at Turkey in 1980. Thailand, Romania has grown six times."

This is, strictly speaking, not the beginning for Kazakhstan, however. In fact, the country had three stock exchanges until just a few months ago. "We had three stock exchanges but no stock market," says Mr. Grigory Marchenko, head of the Kazakhstan government's Committee for Securities.

"Everyone thought that a stock market was the same as a stock exchange, that if we had a building with a name-plate and some stocks, people would trade," says Mr. Marchenko. "What we lacked was legal infrastructure and transparency."

In September, Almaty's new stock exchange will open, featuring three tiers of trading and plenty of complicated multilateral recommendations and C-30 criteria. Simultaneously, the government will sell 510 per cent shares in several "blue chip" enterprises which have been partially privatised - the state telecom, oil companies, and metals plants.

Most Kazakh companies are significantly undervalued compared to western companies based on criteria such as dollars of market capitalisation per barrel of reserves for oil companies, revenues per line for telecoms, or market capitalisation per kilowatt hour for

electric utilities.

But investors, aside from knowing that there is value to be identified, also want a strong international political commitment to the country they are investing in. "It's really an alignment of the stars issue," says the hedge funder from the US.

"Kenya could go down the tubes and no one would care. But Romania is going to come out of it because its in Europe. In Mexico, there's also a safety net. It's on the border with the US," he explains. "In Kazakhstan, you know things are gonna go wrong, but it'll be okay because everyone's on board."

By "everyone" he means the United States, which has declared the region's oil reserves to be of strategic value and signed a security pact with the Kazakh government in exchange for their decision to get rid of Soviet-era nuclear weapons in 1993.

Aside from the crowd of speculators, many serious investors are interested in Kazakhstan, especially from Asia. "The strong US political commitment has impressed Asian investors," says Mr. Ascanio Martinotti of the Regent Pacific Fund, one of the largest portfolio investors in Russia. "We see a lot of investors interest from Muslim countries, such as Malaysia and Indonesia," says Mr. Martinotti. "The friendship between Mahathir [the Malaysian president] and Nazarbaev [the Kazakh president] has impressed investors."

While doing their best to welcome foreign investors, Kazakh officials are a little wary of the hedge funds, which they regard as somewhat of a necessary evil.

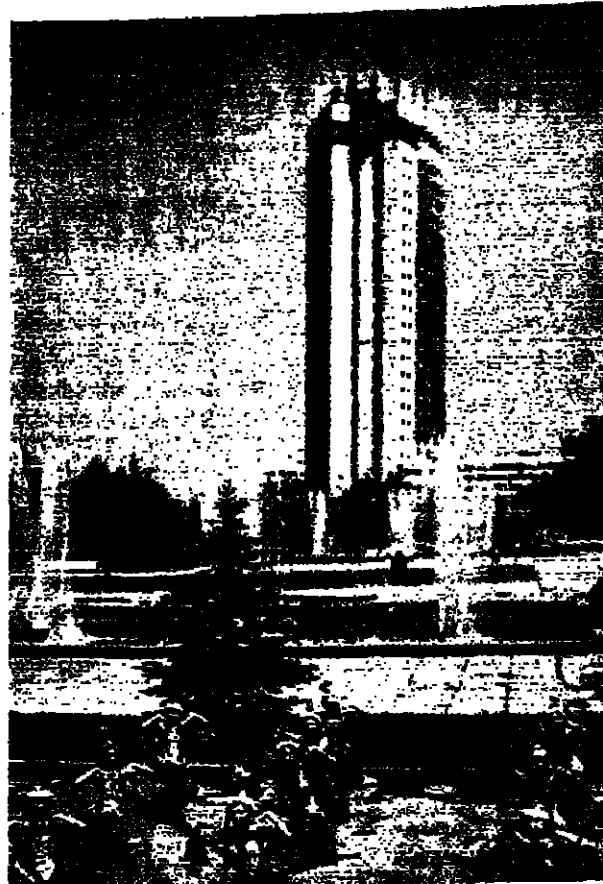
"We don't want too much hot money," says Mr. Marchenko. However, "if someone is willing to invest, you shouldn't beat them away with a stick. I just don't

want the National Bank to have too many problems with the exchange rate."

"When portfolio capital moves, it moves in a big way," says a western economist, who added that investment and disinvestment by foreigners would place pressure on the country's foreign currency reserves as it attempted to maintain a stable exchange rate.

"Financial markets are basically like a massive world government," says the hedge funder, trying to keep the phenomenon in perspective.

Kazakh officials are aware that by fully integrating into world financial markets, they may give up some of their own autonomy to conduct monetary and fiscal policy. "The only problem we might face," says Mr. Marchenko, placing his fingertips together reflectively and glancing towards heaven. "Is huge inflows of foreign capital."



The Kazakhstan Hotel and others in Almaty are welcoming increasing numbers of business travellers.

PROFILE The anti-nuclear campaigner

The half-life of a nation

Russia tested its mighty arsenal - then removed all data that showed what happened

The chain-smoking middle-aged man sitting in an Almaty restaurant did little to hide his bitterness at the way Russian nuclear weapons specialists departed from the old Soviet atomic test site at Semipalatinsk in north-eastern Kazakhstan in 1993.

"They were barbarians," says Mr. Evgeny Tchaikovsky, an engineer who worked on nuclear engines for rockets and spacecraft for many years, and who went on to become an official in the Kazakh defense ministry.

"They burned down the

palace of culture, and they burned or took with them much of the scientific information on 30 years of testing, even though it was of no use to them. The greatest part of the archives were destroyed," he adds.

But the loss of such data was not of mere academic or historical significance. Local politicians "woke up only slowly" to the fact that Kazakhstan, whose vast deserts and steppes had been subjected to hundreds of nuclear tests, had little idea of the extent or levels of radioactive waste to the sprawling test site.

In June, the arrival in Almaty of a highly specialised US Navy Orion reconnaissance aircraft to conduct an aerial survey of the test site provoked outrage from Moscow. "It was so totally Cold War,"

says one bemused western diplomat in Almaty in dismissing Russian charges that the aircraft, painted a particularly garish orange, was on a spy mission.

Mr. Tchaikovsky, who is also a former mayor of Semipalatinsk, the main town in the military test area, said Russian scientists had declined invitations to take part in the aerial mission, planning for which began three years ago. "For Russia the arrival of the plane was not news," he says. "Russia has maps showing the nuclear waste. Kazakhstan does not."

Data acquired by the aircraft's sophisticated sensors should remedy that. But Mr. Tchaikovsky fears that too little will be done to ensure adequate monitoring of the test sites.

Unlike many western campaigners for nuclear

disarmament, he believes some good could come from the creation of an international nuclear deterrence force based on the existing arsenals of the main nuclear powers. And he remains an advocate of civil nuclear power.

But Mr. Tchaikovsky warns that Kazakhstan is likely to be damaged further from the final 20 years of "scientifically unnecessary" nuclear testing during the Cold War. People in both the West and the former Soviet Union may want to sweep the issue under the carpet, he says, "but it's impossible to deceive nature. Sooner or later the radioactive waste under the earth will show itself. The problem of nuclear tests has not been solved."

Robert Corzine

FOREIGN RELATIONS • by Robert Corzine

China a counter-weight to Russia's influence

Proposed oil pipelines go to the heart of the issue of territorial integrity

The evolution of Kazakhstan's foreign relations over the past year can be traced through the proposed oil pipeline routes drawn on the regional maps that senior officials seem able to conjure up at a moment's notice.

"Pipelines go to the heart of the issue of territorial integrity and independence," says an adviser to President Nursultan Nazarbaev.

Russia, still the dominant economic and military force in the area, is not surprisingly the destination and main commercial beneficiary of the first big export pipeline from Kazakhstan, the final agreement on which was reached earlier this year. Although Kazakh officials are relieved that a deal on the Caspian Pipeline Consortium project has removed a long-festering diplomatic and commercial sore with Russia, the fact that the bulk of the jobs and pipeline tariffs will accrue to Russia remains an irritant.

In recent months the importance of China as a counter-weight to Moscow's influence has become clearer. China's National Petroleum Company clinched a recent oil deal in large part because of its explicit commitment to build an eastern pipeline that may

eventually lessen the country's economic dependence on Russia. Officials in Almaty say the political importance of the commitment should not be underestimated, even though the economics of such a project look doubtful.

In summing up the present foreign policy priorities of Mr. Nazarbaev, one western diplomat in Almaty said: "He is trying to shake the country away from Russia without being held hostage to the Chinese."

Some observers have been impressed by the recent shift in Kazakhstan's stance towards Russia. They say Mr. Nazarbaev's government has taken an altogether tougher line on sensitive issues: "Kazakhstan has really stood up for itself lately," said one senior western envoy. "It has said, wait a second, we're going to do what is in our interests. It's very interesting. Moscow, for you to tell us your view, but here's what we can agree to."

Almaty has even surprised other Caspian Sea countries in its firm opposition to Russia over Moscow's view that there should be some joint development of offshore oil areas in the Caspian. They had assumed that Kazakhstan would eventually fall in line with Moscow's views on the issue given the long border between the two and the big ethnic Russian population in northern Kazakhstan. "But they were very tough with Russia on the Caspian

demarcation issue," said one admiring diplomat in Almaty.

Mr. Nazarbaev suggests such developments are part of a re-balancing of relations between the two countries. "Sometimes there is a difference of opinion between Kazakhstan and Russia. For example, it concerns the status of the Caspian Sea and the solving of financial and other questions. I think it is normal," he says.

Some observers believe Mr. Nazarbaev may have been emboldened by Russia's

'Kazakhstan has really stood up for itself lately'

recent military defeat in Chechnya, which highlighted the limits to which Moscow can exert influence on the periphery of the old Soviet Union.

But his balancing act between Kazakhstan's two big neighbours can sometimes put pressure on wider relations with western powers. The decision to award the Aktyubinsk oil field to China over competing proposals from US companies raised the hackles of US diplomats who had lobbied strongly on behalf of the American oil groups. The Kazakhs are said to have later explained the decision

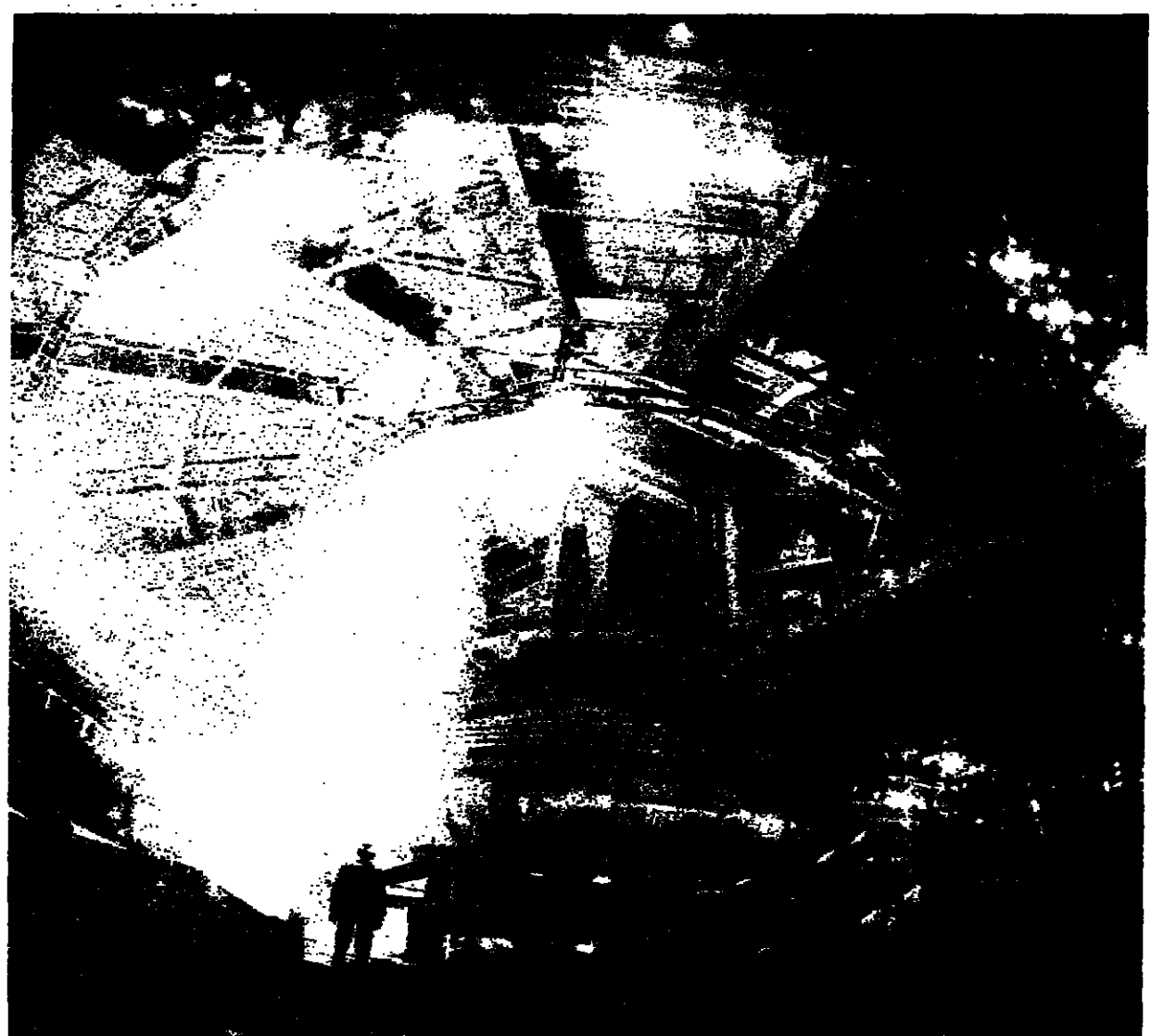
in "purely geopolitical terms," according to one diplomat.

Although relations with the US are stronger than with any other western country, there is a discernible divide between Almaty and Washington as to how extensive that relationship is and whether it includes a specific commitment by Washington to guarantee Kazakhstan's security. Western envoys talk about a fundamental "misunderstanding" between the two sides.

Mr. Nazarbaev is said to want a strong relationship with Washington, says one presidential adviser. "It should be the relationship of an ally" which can serve as a bulwark against Islamic fundamentalism and terrorism in an unstable, strategic region.

But the US rejects a Kazakh view that previous agreements over the removal of nuclear weapons from the area meant that the US had effectively extended a security umbrella over the country. "They refuse to accept that the US has not provided any guarantees," says one senior diplomat.

The issue is likely to be one of the main topics of discussion when Mr. Nazarbaev visits Washington later this year. But it is unclear how much leverage he will have in persuading the US to make its commitment to Kazakhstan more explicit. "We should have kept just one nuclear weapon" for exactly such as eventuality, said one presidential aide.



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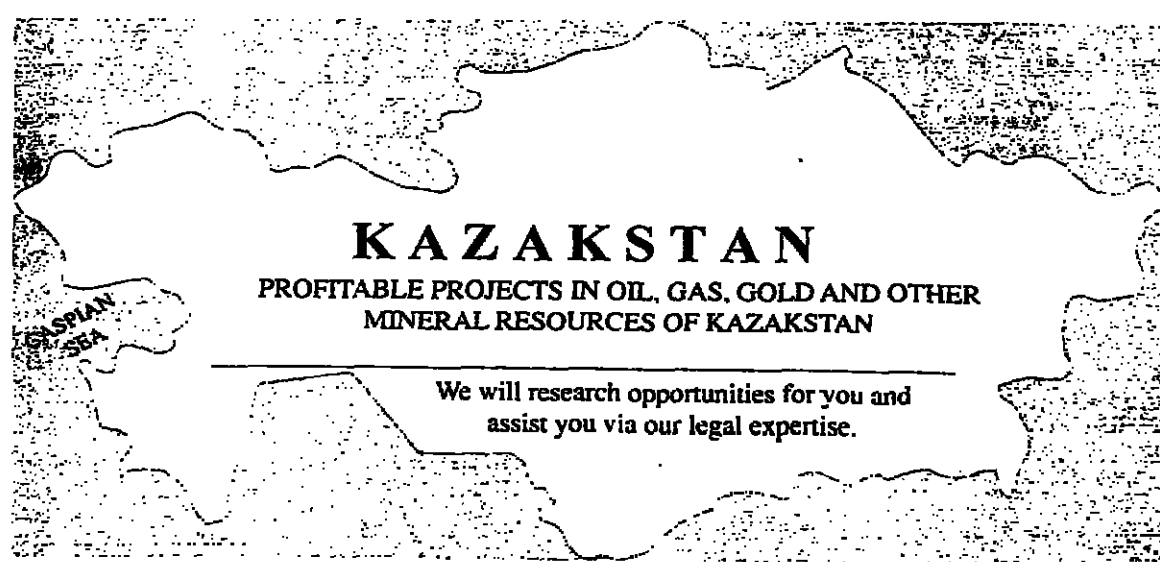
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PRIVATISATION • by Charles Clover

Moving along the fast track

While the sell-off has provided capital, the long-term effects remain unclear

Kazakhstan is coming to the end of one of the fastest privatisation programmes in history. In less than three years, the Kazakh government has privatised 70 per cent of its economy, leaving only 400 enterprises of the 6,000 in the plan.

The pressure driving privatisation was partly ideological and partly financial, with a need to inject liquidity into the economy. "Privatisation revenues have consistently made up for the shortfall in tax collection over 1996 and the first part of 1997," says a western economist in Almaty.

Meanwhile, foreign investors often took on the role played by banks in other countries, supplying the liquidity that a healthy banking system would have otherwise provided.

The transition to a private economy has been far from seamless, however, and the process of privatisation has been criticised as opaque, with sale prices that were too low resulting in the sale of a large chunk of Kazakhstan's enterprises to foreign companies that are virtually unknown.

Mr Galyzhan Jakonov, head of the watchdog Committee on Strategic Resources, cites the sale of the Chimkent refinery - the

tender for which was won by UK-based Vitol - as an example. "There had to be at least two firms. In reality, this didn't happen, and only one firm participated. From our point of view, this was not a tender," says Mr Jakonov.

Nevertheless, the immediate effects of privatisation on the Kazakh economy are impressive. In many cases, seemingly dead factories are now producing at capacity and paying their wages, pensions and taxes on time.

Worldwide steel exports

Observers point to the privatisation of the country's steel mill as an example. While UK-based Ispat was given a good deal on AO Karmet purchasing it without assuming any of the factory's \$200m liabilities - the plant is now producing 3m tonnes a year and exporting all over the world.

"Ispat-Karmet is intending to get \$200m credit in western markets without any guarantees from the government. If it gets the credit, it will prove that we took the right step," says Mr Umirzak Shukeev, Kazakhstan's economy minister. Nevertheless, many of would-be investors have been disappointed by a privatisation process they see as insider-driven.

One of the main problems is a lack of coherent legislation. The law on privatisation, for example, is only four pages long. "You need a

process," says Mr Alexander Lesser, a US lawyer who has worked on many Kazakh privatisations. "There is no way that a four-page document can handle every contingency that would arise."

Mr Lesser says, for example, that if a firm wins a tender, the winner must sign a contract with the government within 10 days - yet there is no explanation of what happens if this is not done. "You wind up in this grey period where the results of the tender can be overturned at any time and the deposit, which can be millions of dollars, is forfeited," says Mr Lesser.

When Access Industries, a British Virgin Islands-based company, won a tender for two power stations in the Pavlodar region, the regional government instead signed a contract with CCL Oil, a company which did not participate in the tender. CCL Oil operates the region's oil refinery.

British Virgin Islands-based Essex Industries, which won a tender for the Atyrau oil refinery in March, had it revoked in April when it was given to Kazakol, the state oil company. Asea Brown Boveri, the Swiss-Swedish engineering group, won a tender to manage the country's electric grid in April, but the results were overturned in May.

"Sometimes it can be more dangerous to win a tender than to lose," says Mr Lesser.

Kazakh authorities admit that the process could have

gone more smoothly. "Some people say [the privatisation programme] was not transparent, but we were losing time, we had to decide quickly," says Mr Shukeev.

Mr Shukeev defends the low price of many of the enterprises that were sold. "The goal is not to sell at a high price in privatisation," he says. "The main goal is to find an effective owner of an enterprise."

But while privatisation has provided Kazakh enterprises with working capital and wages, the long-term implications of the strategy are harder to justify. For foreign companies, Kazakh assets represented a chance to vertically integrate. But it is unclear how this will affect Kazakhstan in the future.

Power equipment suppliers

Before the results of their concession for Kazakhstan's high-voltage grid were overturned, representatives of power equipment manufacturer ABB made clear that they wanted to use their partnership with German grid operator Veag to monopolise the building of power stations in Kazakhstan.

The two companies had previously been accused of anti-competitive practices by General Electric of the US when Veag awarded ABB the contract to build generating equipment in Germany in 1995. As a result, Ger-

many agreed to reform its procurement practices.

"It is normal for equipment manufacturers in the power industry to take equity in projects in order to be the builders," says an investment banker in New York. "But taking over the whole electric grid is a bit extreme."

On the upstream side of vertical integration strategies, three Russia-oriented industrial groups wound up with the Ekibastuz coal pits, which account for 70 per cent of Kazakhstan's coal production. These are the Japan Chrome, part of the Trans-World Group that controls one-third of Russian aluminium smelting, Access Industries, part of an industrial group that owns the Uralak aluminium smelter and the Vladimir tractor factory in Russia, and United Energy Systems, the Russian electric utility.

Trans-World Group, which dominates Russian aluminium, has - in addition to coal - managed to secure bauxite mines, an alumina refinery, ferrochrome plants, iron mines and a power station. "Trans-World is completely integrated, from coal and ore to finished aluminium," says a competitor in the Russian metals industry.

Using a similar strategy, Korea's Samsung has been buying copper mines and smelters, with a view to supplying its electronics industry with raw materials.

These vertical integration strategies may in the long-term have a harmful effect on the country's finances. Collecting taxes from vertically integrated companies has always proved a headache for countries in the past, as integration usually involves transfer pricing in order to disguise profits made in the host country.

"None of these companies is ever going to pay taxes," says a western economist in Almaty. "This all looks great now," says another western analyst. "But eventually, Kazakhstan will begin to understand why everyone in the third-world nationalised in the 1970s."

PROFILE Trans-World

The new monopoly

A reinvented Soviet military industrial complex is taking shape

In the 1980s, the Pavlodar aluminium refinery in northern Kazakhstan produced 10 per cent of the Soviet Union's aluminium, which it sent to the Bratsk smelter in Russia, where it was made into aluminium for Russia's set of factories which supplied the Red Army.

But the collapse of the Soviet Union at the end of 1991, combined with an 80 per cent cut in Russia's defence spending in 1992, pushed the industry into crisis.

The Soviet monopoly, which had financed the smelters' purchases of raw materials, provided working capital and handled exports, disappeared at the end of 1991. Suddenly, Bratsk couldn't pay Pavlodar, which couldn't pay its own suppliers. Pavlodar's output fell by 60 per cent.

"Basically, everything in the Soviet Union was part of the military industrial complex," says Mr David Reuben, president of the London-based Trans-World Group, which has been trading Russian aluminium for 20 years.

"With the collapse of the military complex - and therefore demand - all the plants were looking at elimination of their traditional markets and insolvency."

In 1995, the Trans-World Group purchased Pavlodar, providing finance so the factory could pay for inputs and wages. But while Trans-World had started out as a simple trading company, it by that time controlled one-third of Russian aluminium smelting, including the Bratsk and Sayansk aluminium smelters.

Pavlodar's aluminium began once again to flow to the company paid \$20m

Trans-World controlled smelter of Bratsk. Privatisation has, for many industries like Pavlodar, simply cemented the old economic relations which existed under communism, where Kazakhstan's factories and mines supplied Russia with cheap raw materials.

Finance and markets in the former Soviet Union were only available to industrial groups such as Trans-World, who controlled not only the processing facilities, but the banks which now play the role of the old Soviet buying monopoly. Trans-World's bank is Eurasianbank, one of the most active foreign banks in Kazakhstan because it functions as a treasury for the Trans-World assets.

With large stakes in Bratsk and Sayansk aluminium smelters, critics say Trans-World and other companies like it operating in Kazakhstan are simply the reinvented Soviet military industrial complex in western corporate form.

"Our large enterprises had their own peculiarities," says Kazakh economy minister Mr Umirzak Shukeev. "They were company towns with big problems. They were parts of 'technological chains' which ended in Russia and the Ukraine which is why these enterprises were of no particular interest for investors."

Trans-World has faced repeated accusations in Kazakhstan of underpaying for its interests in Kazakh assets "by a factor of about 10", said one western lawyer in Almaty.

"It is absolutely not true," says Mr Reuben. "We paid among the highest prices for our investments following privatisation." Trans-World had acquired the shares of the plants after privatisation and after the plants had been rejected by many potential buyers.

The company paid \$20m

for Pavlodar, plus an investment pledge of \$125m, and took on undisclosed debts.

Last year, Pavlodar produced 1m tons of aluminium, worth \$200/ton on world markets. With revenues of perhaps \$150m-\$200m, profits in 1996 may have exceeded the initial investment in purchasing the plant.

Since 1994, Trans-World has bought up other Kazakh assets, in addition to Pavlodar, including bauxite mines, a ferrochrome plant, iron ore mines, coal pits and a 2400 megawatt power station. Kazakh officials argue that the goal of privatisation was more important than revenue.

"From my point of view, this goal is not to sell at a high price in privatisation," says Mr Shukeev. "The main goal is to find an effective owner of an enterprise, to make it work, pay wages and taxes and sell output on the world market."

Trans-World appears to pay wages and pensions on time, which makes them unique in an economy burdened by a crisis of payment arrears. Recently, it announced plans to build a \$1bn aluminium smelter in Kazakhstan, built by US engineering company Bechtel, to partially replace Russian processing facilities at Bratsk.

"Our intentions for Pavlodar to increase production and build an aluminium smelter is a bold one. It is probably the first greenfield project of this size in the CIS," says Mr Reuben "rather than acquiring significant assets cheaply, we spent a great deal improving these assets to make them viable."

President Nursultan Nazarbayev applauded the decision. "Kazakhstan must achieve a high degree of processing of its resources and not just export raw materials," he says.

Charles Clover

FOREIGN IMPACT ON THE REGIONS • by Robert Corzine

Partners with new goals

A privatised oil company reforms a system shaped by the Soviet experience

It is not only Kazakhstan's central government that is counting on energy revenues to underpin the economy in the next decade. Oil and natural gas producing regions also find their futures inextricably linked to the success of the sector in general, and to specific partnerships between foreign oil companies and former Kazakh state organisations in particular.

One of the more ambitious attempts to integrate a foreign operation with an existing Kazakh entity is taking place in Kyzylorda, the environmentally hard-hit region that includes the rapidly receding Aral Sea. Last November, Hurricane Hydrocarbons, a small Calgary-based Canadian company, bought 89.5 per cent of Yuzneftegaz, the local oil company and the most important commercial entity in the region, accounting for about 80 per cent of economic activity and about 70 per cent of government revenues.

The merging of the two into a single company is not only a test of Kazakhstan's sometimes controversial privatisation process. The way in which the restructuring is carried out will also affect the more than 5,500 Kazakh employees of the group. As the only large body of workers in the region who are paid regularly, they have a big influence on local business activity.

Kyzylorda exhibits many of the same problems that have constrained the broader Kazakh economy since the end of communism. The collapse of credit and the old Soviet trading patterns left many companies without working capital and markets.

Wage, tax and pension arrears have built up as debtors failed to pay for goods delivered. To survive, companies have been forced to turn to bartering; the goods they acquired often being distributed to employees in lieu of cash wages.

It is this system that Hurricane hopes to break, through its influence on the region's economy. "The size of the organisation we've acquired makes people listen to us," says Mr Patrick Hanna, the chief financial officer of Hurricane Kunkol, the Kazakh subsidiary.

The phased payment of wage arrears and back payments to creditors, combined with current purchases of goods and services, is one of the biggest sources of cash injection into the regional economy.

Given its size and influence, Hurricane sees its own corporate restructuring as part of the broader economic reforms in the area. It has two main concerns. The first is to focus the company on its core oil and gas production business without causing widespread social dislocation through mass layoffs or quick disposals of peripheral activities.

In addition to the main oil production unit, the company's industrial activities include road building and construction. More peripheral divisions include large-

scale farming, meat processing, dairying and retailing. It even owns the local professional football team and a 10,000 seat stadium.

But Hurricane's corporate restructuring is unlikely to succeed if the rigidities of the present economic system remain. Although it still takes part in dubious old-style economic arrangements, such as providing farms with fuel at sowing and harvesting time in exchange for vague promises of future payment, Hurricane is lobbying strongly for specific financial concessions from the government for doing so. In the case of the "farm futures" programme, it wants tax credits, even though such a concession will hit the local tax base.

Hurricane also sees the transition of the region to a cash economy and the rehabilitation of public faith in the banking system as important to its long-term goal of reducing the dependence of both its employees and the region on the company.

But shedding the cocoon of social benefits provided by Soviet-style corporations will not be easy. Many Hurricane employees were promised apartments before last year's privatisation. The new management has agreed to resume construction on some unfinished blocks, but Mr Hanna says that is not a lasting solution. "Our preference is to pay cash so they can take care of their own social affairs," he says.

But simply putting more cash into the economy is not enough if the local population remains distrustful of the banking system. Mr

Hanna believes the first step to overcoming that distrust is to install an automatic teller machine in its Kyzylorda headquarters building.

Although it is not forcing its employees to take part in the scheme, the company is hoping that the ability to draw cash at any time will prove attractive to its workers, just as it finds the prospect of ridding itself of time-consuming cash payments commercially appealing. But the success of the scheme is not just dependent on the local bank earning the trust of the Hurricane workforce. The company has also had to extract promises from the government that employee bank accounts will stay confidential, a move which is anathema to the traditionally activist tax authorities of the region.

Mr Berdibek Saparbaev, the "Akim" or governor of the region, says he has been able to work through most problems with Hurricane. But one issue has marred the Canadian company's arrival in the remote region. The regional government played no part in the original privatisation, so the government removed the requirement that Hurricane pay pension and tax debts to the regional government.

"The state forgave the pension fund debts, but it hurt them badly," admits Mr Hanna. He says the big weakness of the privatisation was that the "money didn't flow to this area."

The test of the future relationship between them will be whether the money from increased production at the company's Kunkol field manages to make an impact in Kyzylorda.

WHO SHOULD AN INVESTOR WORK WITH: THE STATE INVESTMENT COMMITTEE OF THE REPUBLIC OF KAZAKHSTAN

Legal basis of activities: Law of the Republic of Kazakhstan On State Support of Direct Investments, Decree by the President of the RK N. Nazarbayev On Establishment of the Republic of Kazakhstan (8 November 1996).

Main Functions

The State Investment Committee is entrusted with the following functions:

- Development of proposals for measures to implement state policies to attract and utilize direct investments;
- Participation in the development of investment programs and projects for priority sectors of the economy;
- Study and assessment of investment programs and projects proposed for financing at the expense of direct investments and adaptation of measures to implement such programs and projects;
- Development and submission to the Government of the Republic of Kazakhstan of proposals to amend legislation of the Republic of Kazakhstan in order to improve the investment climate in the country and to attract and effectively utilize direct investments;
- Coordination of the activities of central and local executive bodies, diplomatic missions and economic entities of the Republic of Kazakhstan in order to attract direct investments;
- Overseeing the effective utilisation of direct investments.

Authorities

In order to fulfill the functions entrusted to it, the Committee is granted the following functions:

- Within its competence, to adopt normative legal acts, which are binding on ministries, state committees and other central and local executive bodies and organisations;
- Through procedures established by law, to conduct negotiations and sign international treaties on investment cooperation and attraction of direct foreign investments;
- To request and receive necessary information from central and local executive bodies;
- To conduct assessments and participate in the development of draft decisions of the Government to the Republic of Kazakhstan and acts of central and local executive agencies related to stimulating direct investments;
- To grant investors state grants and tax and customs privileges;
- To conduct negotiations, to determine the terms and procedures for signing and annulling investment contracts, to sign contracts, and to oversee their execution.

Structure of the Committee

Chairman
Akhmetzhan Estimov

Executive Director - Minister
Serzhan Kanapyanov

Directorate N1
Administration, Registration
and Control
Bakytbek Bishanbetov
7(3272) 626290

Directorate N2
Research, Planning and
Information
Viktor Sobolev
7(3272) 622012

Directorate N3
Advertising and
Coordination
Dulat Kuanyshev
7(3272) 629113

Directorate N4
Project Evaluation
and Negotiation
Bauyrzhan Almakov
7(3272) 626285

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Activity Department

Econ. and Fin. Information
Collection and Analysis

Advertising and Exhibition
Department

Project Preparation
Department

Investment Control and
Registration Department

Priority Projects
Formation Department

Department of Coordination
of Investment Policy with
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8 KAZAKHSTAN

AGRICULTURE • by Charles Clover

A legacy of failed experimentation

Problems beset the introduction of privatisation, forcing a rethink on policy

In the 1960s, Kazakhstan became part of the Soviet Union's "Virgin Lands" programme. Train loads of starry-eyed communist volunteers were deposited in the middle of the steppe to form collective farms and halt the haemorrhage of Soviet hard currency spent on grain imports. But frequent droughts, a short growing season, and an unexpectedly rapid decline in fertility led to its failure.

The legacy of the experiment lives on in Kazakhstan, however, where nearly half of the population are still connected to agriculture, and the support of Kazakhstan's farmers is a crucial political goal.

"Forty-four per cent of our population live in rural areas, and that's why we have to conduct policies of protection, and also develop agricultural products and special programmes with the help of state finance policy," says economy minister Mr Umrzak Shukeev.

Farming in Kazakhstan remains unprofitable, and most farms are burdened with debts which they can't possibly repay. Last spring, the government outraged foreign oil companies by requiring them to provide free diesel fuel to farmers. The oil companies responded

by not paying taxes on the requisitioned fuel.

Making agriculture self-sustaining and profitable is a goal of the Kazakh government as well as many of the multi-lateral agencies.

But while agricultural reform tends to focus on land reform and privatisation as the cure to the economic ills of the sector, the main hindrance of this process is that no one particularly wants the land because it is not profitable. "When my collective farm was privatised, everyone wanted the animals and the trucks," says one farmer. "No one wanted the land."

Rather than making agriculture private as a way to making it profitable, some experts are now convinced that agriculture must be profitable first, and private second. As with most post-Soviet agriculture, the problems are prices and the structure of production, not land reform.

"Farmers don't own storage so they are in a weak bargaining position after harvest," says Mr Steven Gross, a consultant with the ministry of agriculture. Storing grain for six months costs 12 to 15 per cent, or three times the rate in the UK. "Silos charging these rates are practically empty most of the time," says Mr Gross. "You would expect a price war to fill them."

Mr Gross is trying to start that price war. He heads "Agro-inform," started jointly by the Kazakh ministry of agriculture and the

European Union's Taxis programme which publishes prices at mills and silos.

According to Mr Gross, grain storage prices belie a broader problem. "Across the whole agricultural processing sector, plants are working at a factor of capacity and paying low prices and delaying payments for inputs from farmers."

While it is too early to tell whether the information programme is succeeding, even "perfect information" in the jargon of economic theory may not be enough to increase returns to farmers.

"It's hard to tell if the mill operators and silo owners collude," says Mr Gross. "Every mill would have reported to someone in this building," he adds, referring to the ministry of agriculture. "All of them go to the same conferences, they all know each other."

If information fails to jump-start competition, the farmers' only option may be to "vertically integrate" into processing, just as western farmers use co-operatively owned processing facilities. It would, however, be expensive to initiate.

The agriculture ministry is also hampered by a conflict of interest. "It is the single largest buyer of wheat in Kazakhstan," says Mr Gross.

"The disconnection between agricultural production and processing is very characteristic of Soviet and post-Soviet agriculture," says a Moscow-based expert. "That relationship still exists in the private sector."

CASE STUDY Robert Corzine meets a farming family in Kazakhstan's Alatau mountains

Independence but no power

Farmers do not regret the demise of communism but they do miss electricity

The horses moved quickly down a steep hillside in Kazakhstan's Alatau mountains, their hoof beats muffled by a thick carpet of blue grass and flowering wild herbs.

In their wake came Mr Nurlan Agashev, a 37-year-old former collective farmer and proud owner of the horses, an especially hardy cross between traditional Kazakh ponies and a breed from the River Don region in Ukraine.

"This new life is wonderful," he said, giving a thumbs up sign in response to a question about how he and his extended family of parents, three brothers and their children have fared since the demise of communism.

"Before we depended on the directors of the collective farm and other bosses," he said. "We had to kill cows and sheep whenever they came. Now I'm the owner of my life. No one orders me about."

The lives of the Nurlan family revolve around the seasons. The adults live in the mountains year-round, but in the winter the children are sent to relatives in the valley far below to attend school.

Autumn is the busiest time to sell the sheep, cattle and horses that provide the bulk of the family's income.



Some farmers welcome the new autonomy, but many would prefer a return to a time when everyone had jobs

Novosil, London

It is also when they buy most of their staples for the year, such as flour, sugar and rice. "We generally have no money," says Mr Nurlan, but when necessary the family sells "milk, meat and potatoes. That's how we live."

When asked whether any big worries have marred his new life, Mr Nurlan could name only two: the Belgians and the wolves. Tractebel, the Belgian utility company which recently bought Kazakhstan's first privatised regional electricity company, had cut

off supplies to his remote family farmhouse.

"The Belgians say we didn't pay," complained Nurlan. "We want to pay, but we don't know how to pay or where to pay."

As for the wolves, Nurlan believes wars in other central Asian states are driving them out of their traditional habitats and into the peaceful Alatau mountains. He and his brothers killed 12 last winter. "Our shepherds cry in winter because the wolves kill the sheep," Wolves were also on the

minds of two shepherds in a nearby yurt, the felt-covered structure which for centuries has been the standard accommodation for central Asian nomads. But so too were regrets that the safe, easy existence under communism had ended.

The men still belonged to a collective farm located 200 kilometres away and had brought their herd to the Alatau mountains to graze for the summer. Sitting on their haunches at the entrance to the yurt they admitted that their lives were different from

Nurlan's; they still had a boss they reported to at the collective farm. And although the two men could understand Mr Nurlan's philosophy that "if you work hard your life is good," it did not seem to be a fate they relished. "We haven't heard of any good reforms," they said. "There is nothing stable in our lives." The wife of one of the shepherds was more blunt: "We just want to return to the past when everyone had jobs and life was easy."

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